



# CORDIA

INTERNATIONAL ZRT.

IFRS CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019



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## INDEPENDENT AUDITOR'S REPORT

To the shareholders of Cordia International Zrt.

### Opinion

We have audited the accompanying consolidated financial statements of Cordia International Zrt ("the Company") and its subsidiaries (together the "Group") which comprise the consolidated statement of financial position as at 31 December 2019 (in which the consolidated statement of financial position total is THUF 181,570,651), the related consolidated statement of profit or loss and other comprehensive income (in which the total comprehensive income for the year, net of tax is THUF 6 794 495), the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

### Basis for opinion

We conducted our audit in accordance with Hungarian National Standards on Auditing ("HNSA") and with applicable laws and regulations in force in Hungary. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the applicable laws of Hungary, with the Hungarian Chamber of Auditors' Rules on ethics and professional conduct of auditors and on disciplinary process and, for matters not regulated in the Rules, with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board (IESBA Code of Ethics) and we also comply with further ethical requirements set out in these.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

### Our audit approach

#### Overview

<i>Overall group materiality</i>	Overall group materiality applied was THUF 1 810 000
<i>Group Scoping</i>	We included 36 subsidiaries operating in three countries in our audit which amount up to 99% of the total assets, 99% of the consolidated income for the year.
<i>Key Audit Matters</i>	Inventory valuation



As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

### ***Materiality***

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

<i>Materiality</i>	THUF 1 810 000
<i>Determination</i>	1% of the consolidated total assets
<i>Rationale for the materiality benchmark applied</i>	We chose consolidated total assets as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 1%, which is consistent with quantitative materiality thresholds used in this sector.

### ***Group audit scope***

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We have identified 25 subsidiaries, which, in our view, required an audit of their complete financial information, due to their financial significance to the group. Those reporting components are the major manufacturing entities in Hungary and Poland.

In addition, we performed the audit of specific balances and transactions of eleven subsidiary in Hungary, Poland and Romania.

For the remaining components we performed analytical review on Group level. This together with additional procedures performed at the Group level, including testing of consolidation journals and intercompany eliminations, gave us the evidence we needed for our opinion on the Group financial statements as a whole.



### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<b>Inventory valuation</b> <p>Inventory consists of residential real estate projects under development or construction and is the most significant account in the consolidated financial statements of the Group. As of 31 December 2019 inventory amounted to 102 954 301 THUF and represented 56,7% of the total consolidated assets. Inventory is measured at the lower of cost and net realizable value. The cost of inventory includes, amongst others, land, engineering and construction fees, planning and design costs, real estate taxes, borrowing costs and professional fees directly attributable to the project, construction overheads and other directly related costs.</p> <p>The Group assessed internally the net realizable value of the inventory, based on this assessment and no decrease had to be recognized. The net realizable value calculation is highly dependent on estimates like, amongst others, the estimated sales prices per m<sup>2</sup>, the estimated construction costs and the expected timing of sales of the units. The Management assessed the valuation and accordingly possible write-downs on inventory for each project separately, according to the projection of revenues net off the cost of sales.</p> <p>As the value of inventory is significant to the financial statements and significant estimates are involved in the assessment of net realizable value, we have concluded that it is key audit matter.</p> <p>The Group's disclosures about significant judgements and estimates related to inventory valuation are discussed in the note 3 e "<i>Use of estimates and critical judgments</i>" to the consolidated financial statements.</p> <p>The Group's disclosures regarding inventory were also presented in note 15 (c) of the Group's consolidated financial statements.</p>	<p>We have gained understanding of the net realisable value estimation process, performed a walkthrough of the process and evaluated the design of the controls over the process.</p> <p>We determined that inventory is periodically assessed by the Company's management and the net realizable values are estimated based on appropriate data.</p> <p>We engage our internal real estate valuation specialists to assist us in obtaining an understanding of management's analyses and checking the related external valuation reports. We evaluated the work of the management and management' experts, including the competence, with respect to the net realizable value assessment. We obtained an understanding of the net realizable value assessment processes and considered the internal controls in this process as being adequate in design and implemented in order to minimize the risk of improper valuation of inventories.</p> <p>Additionally, we performed substantive audit procedures while, amongst others, extensively discussing with the Company' management with respect to the net realizable value method applied, the key assumptions used, including comparing these assumptions to similar projects on the market and actually realized results of the net realizable value calculations on individual projects.</p>



## **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU and to prepare the consolidated financial statements in accordance with the supplementary requirements of the Accounting Act relevant for the consolidated annual financial statements prepared in accordance with IFRS as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in the consolidated financial statements unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HNSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HNSA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.





- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Budapest, 11 May 2020

A handwritten signature in blue ink, appearing to read 'László Radványi'.

László Radványi  
Partner  
PricewaterhouseCoopers Könyvvizsgáló Kft.

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## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December

<i>In thousands of Hungarian Forints (THUF)</i>	<i>Note</i>	<b>2019</b>	<b>2018</b>
<b>Revenue</b>	<i>6</i>	<b>34,478,395</b>	<b>19,854,006</b>
<b>Cost of sales</b>	<i>7</i>	<b>(21,186,226)</b>	<b>(12,149,655)</b>
<b>Gross profit</b>		<b>13,292,169</b>	<b>7,704,350</b>
Selling and marketing expenses	<i>8</i>	(2,744,181)	(1,956,791)
Administrative expenses	<i>9</i>	(2,762,183)	(1,629,260)
Other expenses	<i>11</i>	(714,242)	(609,984)
Other income	<i>12</i>	91,825	19,570
<b>Operating profit</b>		<b>7,163,388</b>	<b>3,527,885</b>
Interest income	<i>13</i>	35,764	294,912
Other financial income	<i>13</i>	2,003,255	961,613
<b>Finance income</b>		<b>2,039,019</b>	<b>1,256,523</b>
Interest expense	<i>13</i>	(218,403)	(35,531)
Other financial expense	<i>13</i>	(2,075,173)	(1,101,313)
<b>Finance expense</b>		<b>2,293,576</b>	<b>(1,136,844)</b>
<b>Net finance income/(expense)</b>		<b>(254,557)</b>	<b>119,681</b>
Share of profit/(loss) in joint venture	<i>2(b)</i>	(146,460)	(102,756)
<b>Profit before taxation</b>		<b>6,762,371</b>	<b>3,544,811</b>
Current income tax	<i>14</i>	(368,002)	(245,489)
Deferred tax	<i>14</i>	38,877	(21,127)
<b>Income tax expense</b>		<b>(329,125)</b>	<b>(266,616)</b>
<b>Profit for the year</b>		<b>6,433,246</b>	<b>3,278,195</b>
Exchange differences on translating foreign operations		361,249	2,005
<b>Other comprehensive income/(loss)</b>		<b>361,249</b>	<b>2,005</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>6,794,495</b>	<b>3,280,200</b>
<b>Total profit/(loss) for the year attributable to:</b>			
owners of the parent		7,453,022	3,348,916
non-controlling interests		(1,019,776)	(70,721)
<b>Total profit/(loss) for the year</b>		<b>6,433,246</b>	<b>3,278,195</b>
<b>Total comprehensive income attributable to:</b>			
owners of the parent		7,814,271	3,263,390
non-controlling interests		(1,019,776)	(70,721)
<b>Total comprehensive income for the year, net of tax</b>		<b>6,794,495</b>	<b>3,280,200</b>

*The notes on pages 7 to 85 are an integral part of these consolidated financial statements.*

Tóth  
György





## Consolidated Statement of Financial Position

<i>In thousands of Hungarian Forints (THUF)</i>	<i>Note</i>	<b>31.12.2019</b>	<b>31.12.2018 Restated Note 23</b>	<b>01.01.2018 Restated Note 23</b>
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	15(a)	196,905	187,856	136,988
Property, plant and equipment	15(b)	1,625,914	666,784	0
Long-term receivables from third parties		9,486	8,426	563,989
Long-term receivables from related parties	16(a)	1,010	1,150,746	11,493
Investments accounted for using equity method	2(b)	1,177,459	729,800	1,050,379
Deferred tax assets		127,714	124,939	135,090
Restricted cash	16	2,100,120	3,719,146	5,483,415
Long-term VAT receivables	15(f)	1,526,564	242,616	1,505,296
Other long-term assets	15(d)	613,036	577,376	353,714
<b>Total non-current assets</b>		<b>7,378,208</b>	<b>7,407,689</b>	<b>9,240,364</b>
<b>Current assets</b>				
Inventory	15(e)	102,954,301	58,713,306	37,536,704
Trade and other receivables	16(b)	328,946	191,521	332,278
Short-term receivables from related parties	16(a)	846,049	4,359,861	1,807,482
Other short-term assets	15(d)	11,468,750	301,199	23,054
Income tax receivables		58,410	30,040	819,580
Loan receivables		342,963	0	0
Short-term VAT receivables	15(f)	3,782,709	3,057,847	2,720,115
Restricted cash	16	3,062,290	240,281	30,119
Other financial assets	16	277,833	29,553	423,471
Cash and cash equivalents	16(c)	51,070,192	19,440,344	9,971,253
<b>Total current assets</b>		<b>174,192,443</b>	<b>86,363,952</b>	<b>53,664,056</b>
<b>Total</b>		<b>181,570,651</b>	<b>93,771,641</b>	<b>62,904,420</b>

*The notes on pages 7 to 85 are an integral part of these consolidated financial statements.*

## Consolidated Statement of Financial Position (cont'd)

<i>In thousands of Hungarian Forints (THUF)</i>	<i>Note</i>	<b>31.12.2019</b>	<b>31.12.2018 Restated Note 23</b>	<b>01.01.2018 Restated Note 23</b>
<b>Equity<sup>1</sup></b>				
<b>Shareholders' equity</b>				
Share capital	17(a)	9,897,492	9,252,912	9,252,912
Share premium	17(b)	8,690,521	592,166	592,166
Currency translation reserve		505,126	143,877	141,872
Other reserves	17(c)	(286,680)	(234,382)	(189,439)
Retained earnings	17(d)	15,011,843	7,117,547	3,768,631
<b>Equity attributable to equity holders of the parent</b>		<b>33,818,302</b>	<b>16,872,120</b>	<b>13,566,142</b>
Non-controlling interests	2(d)	208,384	86,823	111,305
<b>Total equity</b>		<b>34,026,686</b>	<b>16,958,943</b>	<b>13,677,447</b>
<b>Net assets attributable to non-controlling investment unit holders</b>	2(c)	<b>17,514,452</b>	<b>16,286,632</b>	<b>7,468,455</b>
<b>Liabilities<sup>1</sup></b>				
<b>Non-current liabilities</b>				
Loans and borrowings	16(d)	14,108,026	4,829,609	5,746,263
Bonds	16(h)	44,421,137	0	0
Long-term liabilities to related parties	16(e)	0	4,429,058	2,274,895
Deferred tax liabilities		4,875	44,550	165,986
Customer advances	15(e)	29,104,998	7,635,951	5,337,026
Lease liabilities	15(g)	632,638	0	0
Amounts withheld for guarantees	16(g)	2,393,654	1,733,237	648,677
Other long-term liabilities		196,521	137,101	2,477
<b>Total non-current liabilities</b>		<b>90,861,849</b>	<b>18,809,506</b>	<b>14,175,324</b>
<b>Current liabilities</b>				
Trade and other payables	16(f)	10,314,925	4,471,907	2,949,018
Bonds	16(h)	68,892	0	0
Short-term liabilities to related parties	16(e)	542,695	3,124,653	3,450,854
Loans and borrowings	16(d)	11,506,888	5,239,689	735,812
Customer advances	15(e)	11,705,108	28,127,855	20,190,907
Lease liabilities	15(g)	2,328,719	0	0
Other tax liabilities		2,500,935	707,187	168,287
Other provision		102,151	0	88,316
Income tax liabilities		97,351	45,269	0
<b>Total current liabilities</b>		<b>39,167,664</b>	<b>41,716,560</b>	<b>27,583,194</b>
<b>Total liabilities</b>		<b>130,029,513</b>	<b>60,526,066</b>	<b>41,758,518</b>
<b>Total</b>		<b>181,570,651</b>	<b>93,771,641</b>	<b>62,904,420</b>

*The notes on pages 7 to 85 are an integral part of these consolidated financial statements.*

<sup>1</sup> excluding net assets attributable to non-controlling investment unit holders

CORDIA International Zrt.  
Consolidated Financial Statements for the year ended 31 December 2019

## Consolidated Statement of Changes in Equity

For the years ended 31 December 2019

Attributable to the equity holders of the parent

<i>In thousands of Hungarian Forints (THUF)</i>	<u>Share capital</u>	<u>Share premium</u>	<u>Currency translation reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
<b>Balance at 1 January 2018</b>	9,252,912	592,166	141,872	(189,439)	3,768,631	13,566,142	111,305	13,677,447
<b>Profit/(loss) for the year</b>	0	0	0	0	3,348,916	3,348,916	9,938*	3,358,854
<b>Other comprehensive income/(loss)</b>	0	0	2,005	0	0	2,005	0	2,005
Other change in reserves	0	0	0	(44,943)	0	(44,943)	0	(44,943)
Non-controlling interests arising on acquisition	0	0	0	0	0	0	40,551	40,551
Redemption of non-controlling interests	0	0	0	0	0	0	(74,971)	(74,971)
<b>Transactions with owners</b>	0	0	2,005	(44,943)	3,348,916	3,417,284	(24,482)	3,392,802
<b>Balance at 31 December 2018</b>	9,252,912	592,166	143,877	(234,382)	7,117,547	16,872,120	86,823	16,958,943
<b>Balance at 1 January 2019</b>	9,252,912	592,166	143,877	(234,382)	7,117,547	16,872,120	86,823	16,958,943
<b>Profit/(loss) for the year</b>	0	0	0	0	7,453,022	7,453,022	33,386*	7,486,408
<b>Other comprehensive income/(loss)</b>	0	0	361,249	0	0	361,249	0	361,249
<b>Proceeds from shares issues</b>	644,580	8,098,355	0	0	0	8,742,935	0	8,742,935
Other change in reserves 17(c)	0	0	0	(52,298)	0	(52,298)	0	(52,298)
Non-controlling interests arising on acquisition	0	0	0	0	0	0	88,175	88,175
Redemption of non-controlling interests	0	0	0	0	441,274	441,274	0	441,274
<b>Transactions with owners</b>	644,580	8,098,355	361,249	(52,298)	7,894,296	16,946,182	121,561	17,067,743
<b>Balance at 31 December 2019</b>	9,897,492	8,690,521	505,126	(286,680)	15,011,843	33,818,302	208,384	34,026,686

The significant movements in the equity items presented above are explained in details in Note 17.

\*Please also refer to Note 2 (c) about Net assets attributable to non-controlling investment unit holders.

*The notes on pages 7 to 85 are an integral part of these consolidated financial statements*

## Consolidated Statement of Cash Flows

For the year ended 31 December		2018	
<i>In thousands of Hungarian Forints (THUF)</i>		2019	Restated Note 23
		Note	
<b>Cash flows from/(used in) operating activities</b>			
Profit/ before taxation for the period		6,762,371	3,544,811
<i>Adjustments to reconcile profit before for taxation to net cash used in operating activities:</i>			
Depreciation	15(a),15(b)	504,285	154,930
Other non-cash movements*		568,872	616,823
Profit/loss on sale of tangible and intangible assets		(56,518)	21,261
Net finance income/expense	13	254,557	(119,681)
Increase in inventory	15(c)	(40,906,278)	(17,848,785)
Share of loss in joint venture	2(b)	146,460	102,756
Decrease/(increase) in trade and other receivables	16(b)	923,993	1,251,687
(Decrease)/increase in liabilities from related parties	16(a),16(e)	(786,133)	(2,552,379)
Increase in trade and other payables	16(f)	7,603,720	(810,345)
Increase in short-term loan receivables		(342,963)	0
Increase in provision		102,151	0
Increase in advances received	15(e)	5,046,300	10,235,873
Interest paid	13	(650,498)	(723,472)
Income tax paid	14	(347,863)	(427,934)
<b>Net cash from/(used in) operating activities</b>		<b>(21,177,544)</b>	<b>(6,554,456)</b>
<b>Cash flows from/(used in) investing activities</b>			
Consideration paid for the acquisition of subsidiaries	2(a)	(10,487,932)	(137,924)
Cash of acquired subsidiaries	2(a)	1,510,746	241,104
Acquisitions of tangible and intangible assets	15(a),15(b)	(262,024)	(316,631)
Sale of tangible and intangible assets		25,843	0
Investing in long-term financial assets	16	(8,470,402)	2,803,287
Increase of long-term loan receivables	16(a)	1,010	(182,387)
Repayment of short-term loan receivable		3,296,947	0
Repayment of long-term loan receivables	16(a)	1,130,988	147,940
Interest received	13	35,765	294,912
Investments accounted for using equity method	2(b)	(594,119)	(832,556)
<b>Net cash from/(used in) investing activities</b>		<b>(13,813,178)</b>	<b>2,017,745</b>
<b>Cash flows from/(used in) financing activities</b>			
Proceeds from loans and borrowings	16(d),16(e)	22,820,096	28,642,619
Repayment of loans and borrowings	16(e),16(b)	(11,467,294)	(23,302,397)
Capital increase	17(a)	8,742,935	0
Proceeds bond issue net of issuance cost	16(h)	44,236,063	0
Purchase of non controlling shares and investment notes	2(c),2(d)	10,058,175	10,240,551
Redemption of non controlling shares and investment notes	2(c),2(d)	(7,490,178)	(1,574,971)
Lease payments		(279,227)	0
<b>Net cash from financing activities</b>		<b>66,620,570</b>	<b>14,005,802</b>
<b>Net change in cash and cash equivalents</b>		<b>31,629,848</b>	<b>9,469,091</b>
Cash and cash equivalents at beginning of the year		19,440,344	9,971,253
<b>Cash and cash equivalents at end of the year</b>	16(c)	<b>51,070,192</b>	<b>19,440,344</b>

*The notes on pages 7 to 85 are an integral part of these consolidated financial statements*

\*The other non-cash movements derive mainly from foreign exchange differences on acquisitions and bond related interests

## Notes to the Consolidated Financial Statements

### 1. Background and business of the Company

- (a) **Company name:** Cordia International Private Limited Company ('Cordia International Zrt.')
- Headquarter:** 7th floor, 47-53 Futó street, 1082 Budapest
- Company registration number:** 01-10-048844
- Statistical number:** 25558098-6810-114-01
- Tax registration number:** 25558098-2-42

Cordia International Private Limited Company ('the Company'), a Hungarian private limited company with its statutory seat in Budapest, Hungary, was incorporated on 17 April 2016.

The core business of the company is to develop residential properties and then sale residential units. The Company is not involved in development of other real estate projects.

The registered office is located at 47-53 Futó street, Budapest, Hungary. The Company (together with its Hungarian, Polish, Romanian and Spanish subsidiaries 'the Group'), is active in the development and sale of units, primarily apartments, in multi-family residential real-estate projects to individual customers in Hungary, in Poland, in Romania and in Spain.

Cordia International Zrt. (the 'Parent') was established as of 27 April 2016 by Futureal Property Group Kft.

As of 31 December 2018 direct controlling party of the Company was Sparks Ltd.

As of 31 December 2019 the Company had the following owners:

- Cordia Holding B.V. - 98% (place of business: 3030, Prins Hendriklaan 26, 1075BD Amsterdam)
- Finext Consultants Limited - 2% (place of business: Kyriakou Matsi 16, Eagle House, 10th Floor, Agioi Omologites, P.C. 1082, Nicosia, Ciprus)

The direct controlling party does not prepare consolidated financial statements and there is no consolidated financial statement available into which the Company is consolidated.

The ultimate controlling parties have not been changed during 2019. Gábor Futó (as the major shareholder) together with his parents, are the ultimate beneficial owners of CORDIA International Ingatlanfejlesztő Zrt. with its registered office in Budapest, Hungary. A list of the companies from which the financial data are included in these Consolidated Financial Statements and the extent of ownership and control are presented in Note 2.



## 2. Interests in other entities

### (a) Group structure

The details of the Hungarian, Polish, Spanish and Romanian entities whose financial statements have been included in these Consolidated Financial Statements, the percentage of ownership and voting rights held by the Company and the classification of investments as at 31 December 2019 and 2018, are presented in the table.

The projects managed by the companies are in various stages of development ranging from being in the process of acquiring land for development to projects which are completed or near completion.

Entity name	Place of operation	Share of ownership & voting rights at		Nature of relationship	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
Villena Sp. z o.o.	Poland	100%	100%	Subsidiary	Subsidiary
Cordia Wrocław I Sp. Z o.o.	Poland	100%	100%	Subsidiary	Subsidiary
Cordia Zyrardów Sp.z.o.o.	Poland	100%	100%	Subsidiary	Subsidiary
Futureal Management Poland Sp. Z.o.o.	Poland	100%	100%	Subsidiary	Subsidiary
CORDIA Polska SP. Z.o.o..	Poland	100%	100%	Subsidiary	Subsidiary
Cereman Vagyonkezelő Zrt.	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Lands Investment Ltd.	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Property Management Kft.	Hungary	N/A	N/A	N/A	N/A
Cordia Development 1 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Development 2 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Global 1 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Global 2 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Global 3 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Global 4 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Global 5 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Ingatlanbefektetői Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Management Szolgáltató Kft.	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia New Ages Ingatlanfejlesztő Kft.	Hungary	100%	100%	Subsidiary	Subsidiary
CM-HoldCo Kft	Hungary	100%	100%	Subsidiary	Subsidiary
Sasad Resort 2 Kft	Hungary	72,50%	72,50%	Subsidiary	Subsidiary
IPOPEMA 146 Alapusz Inwestycyjny Zamkniety Aktywów Niepublicznych	Poland	N/A	N/A	N/A	N/A
Cordia Poland GP One Spółka Z	Poland	100%	100%	Subsidiary	Subsidiary
Cordia Project Holding					
Cordia Poland GP One Spk.	Poland	100%	100%	Subsidiary	Subsidiary
Projekt Warszawa 1					
Cordia Poland GP One Spółka z.o.o.	Poland	100%	100%	Subsidiary	Subsidiary
Projekt Warszawa 2					
Cordia Poland GP One Spółka z.o.o.	Poland	100%	100%	Subsidiary	Subsidiary
Projekt Warszawa 3					
Cordia Poland GP One Spółka z.o.o.	Poland	100%	100%	Subsidiary	Subsidiary

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Entity name	Place of operation	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Projekt Warszawa 4 Cordia Poland GP One Spółka z.o.o.	Poland	100%	100%	Subsidiary	Subsidiary
Projekt Kraków 1 Cordia Poland GP One Spółka z.o.o.	Poland	100%	100%	Subsidiary	Subsidiary
Cordia Central Ingatlanfejlesztő Kft.	Hungary	100%	100%	Subsidiary	Subsidiary
Finext Funds One SICAV-SIF	Luxembourg	100%	25%	Subsidiary	Subsidiary
Cordia Global 6 Alap	Hungary	50%	50%	Joint-venture	Joint-venture
Cordia Global 7 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Global 8 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Global 9 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Global 10 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Global 11 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Global 12 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Global 13 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Global 14 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Global 15 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Global 16 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Global 17 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Global 18 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Global 19 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Global 20 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
CORDIA Munkavállalói Rész tulajdonosi Program Szervezet	Hungary	100%	100%	Subsidiary	Subsidiary
CDS-Cordia Development Services Srl	Romania	100%	100%	Subsidiary	Subsidiary
Cordia Parcului Residential Project Srl	Romania	100%	100%	Subsidiary	Subsidiary
Cordia Belváros Ingatlanfejlesztő Kft.	Hungary	70%	70%	Subsidiary	Subsidiary
Cordia FM Társasházkezelő Kft	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia New Times Ingatlanfejlesztő Kft.	Hungary	70%	70%	Subsidiary	Subsidiary
Cordia New Homes Kft	Hungary	100%	100%	Subsidiary	Subsidiary
Finext Funds BP SICAV-SIF	Luxembourg	20%	20%	Subsidiary	Subsidiary
Cordia Romania Holding One Kft.	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Romania Holding Two Kft.	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Development 3 Spółka z	Poland	100%	100%	Subsidiary	Subsidiary

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<b>Entity name</b>	<b>Place of operation</b>	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Cordia Development 4 Spółka z ograniczoną odpowiedzialnością	Poland	100%	100%	Subsidiary	Subsidiary
Cordia Development 5 Spółka z ograniczoną odpowiedzialnością	Poland	100%	100%	Subsidiary	Subsidiary
Cordia Development 1 Spółka z ograniczoną odpowiedzialnością	Poland	100%	100%	Subsidiary	Subsidiary
Projekt Warszawa 5 Cordia Partner 2 spółka z ograniczoną odpowiedzialnością	Poland	100%	100%	Subsidiary	Subsidiary
Projekt Kraków 2 Cordia Partner 2 spółka z ograniczoną odpowiedzialnością	Poland	100%	100%	Subsidiary	Subsidiary
Projekt Kraków 3 Cordia Partner 2 spółka z ograniczoną odpowiedzialnością	Poland	100%	100%	Subsidiary	Subsidiary
Cordia Dante Project SRL	Romania	100%	100%	Subsidiary	Subsidiary
Cordia Navigatorilor Project SRL	Romania	100%	100%	Subsidiary	Subsidiary
Cordia Corarilor Development SRL	Romania	100%	100%	Subsidiary	Subsidiary
Cordia Project Services SPV3 SRL	Romania	100%	100%	Subsidiary	Subsidiary
Cordia Project Development SPV2 SRL	Romania	100%	100%	Subsidiary	Subsidiary
Cordia Partner 2 Spółka z ograniczoną odpowiedzialnością	Poland	100%	100%	Subsidiary	Subsidiary
Cordia Partner 3 Spółka z ograniczoną odpowiedzialnością	Poland	100%	100%	Subsidiary	Subsidiary
Cordia Partner 4 Spółka z ograniczoną odpowiedzialnością	Poland	100%	100%	Subsidiary	Subsidiary
Cordia Development 2 Spółka z ograniczoną odpowiedzialnością	Poland	100%	100%	Subsidiary	Subsidiary
Cordia Development 10 Sp. z o.o	Poland	100%	N/A	Subsidiary	N/A
Cordia Development 6 Sp. z o.o	Poland	100%	N/A	Subsidiary	N/A
Cordia Development 8 Sp. z o.o	Poland	100%	N/A	Subsidiary	N/A
Cordia Development 9 Sp. z o.o	Poland	100%	N/A	Subsidiary	N/A
Cordia Europe Holding Kft.	Hungary	100%	N/A	Subsidiary	N/A
Cordia Global 21 Alap	Hungary	100%	N/A	Subsidiary	N/A
Cordia Global 22 Alap	Hungary	100%	N/A	Subsidiary	N/A

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Entity name	Place of operation	31.12.2019	31.12.2018		31.12.2019	31.12.2018
Cordia Global 23 Alap	Hungary	100%	N/A		Subsidiary	N/A
Cordia Global 24 Alap	Hungary	100%	N/A		Subsidiary	N/A
Cordia Global 25 Alap	Hungary	100%	N/A		Subsidiary	N/A
Cordia Global 26 Alap	Hungary	100%	N/A		Subsidiary	N/A
Cordia Global 27 Alap	Hungary	100%	N/A		Subsidiary	N/A
Cordia Global 28 Alap	Hungary	100%	N/A		Subsidiary	N/A
Cordia Global 29 Alap	Hungary	100%	N/A		Subsidiary	N/A
Cordia Global 30 Alap	Hungary	100%	N/A		Subsidiary	N/A
Cordia Partner 5 Sp. z o.o.	Poland	100%	N/A		Subsidiary	N/A
Cordia Partner 6 Sp. z o.o.	Poland	100%	N/A		Subsidiary	N/A
Projekt Kraków 4 Cordia	Poland	100%	N/A		Subsidiary	N/A
Partner 2 Sp. z o.o. Sp.k						
Projekt Trójmiasto 1 Cordia	Poland	100%	N/A		Subsidiary	N/A
Partner 2 Sp. z o.o. Sp.k						
Projekt Warszawa 6 Cordia	Poland	100%	N/A		Subsidiary	N/A
Partner 2 Sp. z o.o. Sp.k						
Projekt Warszawa 7 Cordia	Poland	100%	N/A		Subsidiary	N/A
Partner 2 Sp. z o.o. Sp.k						
Cordia Project Company	Spain	100%	N/A		Subsidiary	N/A
Sociedad Limitada						
FUTUREAL DEVELOPMENT	Spain	100%	N/A		Subsidiary	N/A
COMPANY Sociedad Limitada						
Futureal Iberia Holding	Spain	100%	N/A		Subsidiary	N/A
Sociedad Limitada						
Futureal Project Company	Spain	100%	N/A		Subsidiary	N/A
Sociedad Limitada						
Cordia Development Company	Spain	90%	N/A		Subsidiary	N/A
Sociedad Limitada						
Cordia Fuengirola Development	Spain	90%	N/A		Subsidiary	N/A
Company Sociedad Limitada						
Cordia Spain Holding Kft.	Hungary	100%	N/A		Subsidiary	N/A
Univerzo CG13 Kft.	Hungary	100%	N/A	N/A	Subsidiary	N/A
KERTÉSZ CG15 Kft.	Hungary	100%	N/A	N/A	Subsidiary	N/A
GrandCorvin2 CG19 Kft.	Hungary	100%	N/A	N/A	Subsidiary	N/A
FUTÓ CG21 Kft.	Hungary	100%	N/A	N/A	Subsidiary	N/A
Millenium Residence Első Ütem	Hungary					
CG22 Kft.		100%	N/A	N/A	Subsidiary	N/A
Millenium Residence Második	Hungary					
Ütem CG23 Kft.		100%	N/A	N/A	Subsidiary	N/A
Finext Optimum 2 értékpapír	Hungary					
alapok alapja részalap		100%	N/A	N/A	Subsidiary	N/A
Projekt Kraków 5 Cordia	Poland					
Partner 2 Sp. z o.o. Sp.k		100%	N/A	N/A	Subsidiary	N/A
Projekt Kraków 6 Cordia	Poland					
Partner 2 Sp. z o.o. Sp.k		100%	N/A	N/A	Subsidiary	N/A
Projekt Trójmiasto 2 Cordia	Poland					
Partner 2 Sp. z o.o. Sp.k		100%	N/A	N/A	Subsidiary	N/A
Projekt Warszawa 8 Cordia	Poland					
Partner 2 Sp. z o.o. Sp.k		100%	N/A	N/A	Subsidiary	N/A
Projekt Warszawa 9 Cordia	Poland					
Partner 2 Sp. z o.o. Sp.k		100%	N/A	N/A	Subsidiary	N/A

Please refer to next page for the list of newly acquired entities.

All the acquisitions were at market prices from entities under common control.

Please also refer to Note 3(a) about critical judgments and significant accounting policies.

Cordia International Zrt. established the following entities in 2019:

**Newly established entities**

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Cordia Development 10 Sp. z o.o.  
Cordia Development 6 Sp. z o.o.  
Cordia Development 7 Sp. z o.o.  
Cordia Development 8 Sp. z o.o.  
Cordia Development 9 Sp. z o.o.  
Cordia Europe Holding Kft.  
Cordia Global 21 Alap  
Cordia Global 22 Alap  
Cordia Global 23 Alap  
Cordia Global 24 Alap  
Cordia Global 25 Alap  
Cordia Global 26 Alap  
Cordia Global 27 Alap  
Cordia Global 28 Alap  
Cordia Global 29 Alap  
Cordia Global 30 Alap  
Univerzo CG13 Kft.  
KERTÉSZ CG15 Kft.  
GrandCorvin2 CG19 Kft.  
FUTÓ CG21 Kft.  
Millenium Residence Első Ütem CG22 Kft.  
Millenium Residence Második Ütem CG23 Kft.  
Finext Optimum 2. Értékpapír Alapok Alapja Részalap  
Cordia Fuengirola Development Company Sociedad Limitada  
Cordia Partner 5 Sp. z o.o.  
Cordia Partner 6 Sp. z o.o.  
Projekt Kraków 4 Cordia Partner 2 Sp. z o.o. Sp.k  
Projekt Kraków 5 Cordia Partner 2 Sp. z o.o. Sp.k  
Projekt Kraków 6 Cordia Partner 2 Sp. z o.o. Sp.k  
Projekt Trójmiasto 1 Cordia Partner 2 Sp. z o.o. Sp.k  
Projekt Trójmiasto 2 Cordia Partner 2 Sp. z o.o. Sp.k  
Projekt Warszawa 6 Cordia Partner 2 Sp. z o.o. Sp.k  
Projekt Warszawa 7 Cordia Partner 2 Sp. z o.o. Sp.k  
Projekt Warszawa 8 Cordia Partner 2 Sp. z o.o. Sp.k  
Projekt Warszawa 9 Cordia Partner 2 Sp. z o.o. Sp.k

Cordia International Zrt. acquired the following entities in 2019. All of the acquisitions were at market prices from entities under common control. In line with the accounting policy of the Group, the acquisitions were considered to be asset acquisitions, because the acquired entities did not meet the definition of business under IFRS 3. No goodwill was recognized as a result of the transactions.

**Newly acquired entities**

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Cordia Project Company Sociedad Limitada  
FUTUREAL DEVELOPMENT COMPANY Sociedad Limitada  
Futureal Iberia Holding Sociedad Limitada  
Futureal Project Company Sociedad Limitada  
Cordia Development Company Sociedad Limitada  
Cordia Spain Holding Kft.



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**(b) Interests in joint-ventures**

Set out below is the joint venture of the group as at 31 December 2019 and as of 31 December 2018. The entity listed below have share capital consisting solely of ordinary shares, which are held directly by the group.

Entity name	Nature of relationship	Measurement method
Cordia Global 6 Alap	Joint-venture	Equity method

Cordia Global 6 Alap entity consists projects named Marina Life 1 and 2. The entity is jointly controlled with a partner which is another Hungarian legal entity operating in the real estate industry.

<b>Cordia Global 6</b> <i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2019</b>	<b>31.12.2018</b>
Net assets	<b>2,354,919</b>	<b>1,459,600</b>
Group's share in %	50	50
Group's share in THUF	1,177,459	729,800
<b>Carrying amount</b>	<b>1,177,459</b>	<b>729,800</b>

<b>Cordia Global 6</b> <i>In thousands of Hungarian Forints (HUF)</i>	<b>2019</b>	<b>2018</b>
Revenue	624	12
Profit/(Loss) as subsidiary	0	(849)
Profit/(Loss) as joint-venture	(292,919)	(205,512)
Other comprehensive income	0	0
Total comprehensive income	(292,919)	(206,361)

Reconciliation to carrying amounts:

<b>Cordia Global 6</b> <i>In thousands of Hungarian Forints (HUF)</i>	<b>2019</b>	<b>2018</b>
Opening	729,800	0
Change in investments	594,120	832,556
Profit/(Loss) attributable to Group	(146,460)	(102,756)
<b>Closing carrying amount</b>	<b>1,177,460</b>	<b>729,800</b>

**(c) Net assets attributable to non-controlling investment unit holders**

As described previously, the Group had controlling investment in two investment funds as of 31 December 2018 and 31 December 2019, namely Finext Real Estate Opportunities One SICAV-SIF Sub-Fund and Finext Real Estate Opportunities Budapest SICAV-SIF Sub-Fund. Besides the Group, there were other non-controlling investors as owners of these two funds.

The two sub-funds operate under a similar scheme in which, the funds' life is limited and pre-determined upon establishment. The funds issue two classes of investment notes in form of shares, Class C is owned by the Group, Class P is purchased by the non-controlling investors. The two share classes provide different rights and they have different risk profile. Based on the funds' prospectus, repayment of the original investments and distributions of profits and losses are to be made as follows:

- First, original investments into Class P and Class C shares shall be returned pro-rata and pari passu. Potential losses are therefore suffered pro-rata, based on the invested capital.
- After distributions equal to the invested capital to all unit holders, the potential profits are not distributed on pro-rata basis but in different proportions, with such proportions changing based on IRR achieved by the Class P unitholders versus pre-agreed IRR hurdles.

The Group does not provide any guarantee on the return on the capital invested by the non-controlling investment unit holders. In case the projects in the fund generate losses, the losses are shared between the Group and the non-controlling investment unit holders on a pro-rata basis up to the amount of the capital invested. Each parties' liability is limited to the amount of capital invested in the fund.

The Group has no unconditional obligation to pay back any amount invested by the non-controlling investment unit holders, however – after the completion of any project in the fund – the generated free cash shall be returned to the investors and the Group has no sole right to decide about potential reinvestments into potential new projects. Therefore the Management believes that presenting these balances among general liabilities or among the Group equity would be misleading and it would not provide a fair picture about the financial position of the Group. Based on the above, and based on the industry practice, net asset attributable to non-controlling investment unit holders are disclosed on a separate line in the consolidated statement of financial position.

Please see below the movements in the balances during the period.

*In thousands of Hungarian Forints (HUF)*

<b>Balance 31 December 2017</b>	<b>7,468,455</b>
Investment made by non-controlling parties	10,200,000
Redemption	(1,500,000)
Change in net assets attributable non-controlling investment unit holders	(80,660)
Profit distribution to be paid out	198,837
<b>Balance 31 December 2018</b>	<b>16,286,632</b>
Investment made by non-controlling investment unit holders	9,970,000
Redemption	(7,490,178)
Loss attributable to non-controlling parties	(1,053,162)
Other change in non-controlling interests	(198,840)
<b>Closing balance 31 December 2019</b>	<b>17,514,452</b>

At each period end, the Group calculates the profit distribution to be paid out on finished projects to non-controlling investment unit holders and presents the balance among net assets attributable to non-controlling investment unit holders.

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Please see below the most important financial information regarding these two funds. Please note, that these figures are based on the funds' stand-alone statutory financial statements, therefore consolidation adjustments are not included. In their stand-alone statutory financial statements, the funds measure their investments in other entities within the Group at fair value with gains and losses recognized through the P&L.

<b>31.12.2019</b>	<b>Finext Funds BP</b>	<b>Finext Funds One</b>
<i>In thousands of Hungarian Forints (HUF)</i>	<b>SICAV-SIF</b>	<b>SICAV-SIF</b>
Current assets	7,587,299	2,348,671
Current liabilities	18,379	10,917
Current net assets	7,568,920	2,337,754
Non-current assets*	22,850,138	0
Non-current liabilities	0	0
Non-current net assets	22,850,138	0
<b>Net assets</b>	<b>30,419,058</b>	<b>2,337,754</b>
Accumulated net assets attributable to non-controlling Class P investment unit holders	<b>17,514,452</b>	<b>0</b>

\*Majority of Non-current assets represent the investments in subsidiaries.

<b>2019</b>	<b>Finext Funds BP</b>	<b>Finext Funds One</b>
<i>In thousands of Hungarian Forints (HUF)</i>	<b>SICAV-SIF</b>	<b>SICAV-SIF</b>
Revenue	0	0
Profit for period	3,321,876	2,165,751
Other comprehensive income	0	0
<b>Total comprehensive income</b>	<b>3,321,876</b>	<b>2,165,751</b>
Profit allocated	(1,494,436)	441,274
Dividends paid	0	1,490,178

<b>2019</b>	<b>Finext Funds BP</b>	<b>Finext Funds One</b>
<i>In thousands of Hungarian Forints (HUF)</i>	<b>SICAV-SIF</b>	<b>SICAV-SIF</b>
Cash flow from operating activities	(1,494,436)	242,437
Cash flow from investing activities	0	0
Cash flow from financing activities	9,970,000	(7,490,178)
<b>Net change in cash and equivalents</b>	<b>8,475,564</b>	<b>(7,247,741)</b>

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<b>31.12.2018</b> <i>In thousands of Hungarian Forints (HUF)</i>	<b>Finext Funds BP SICAV-SIF</b>	<b>Finext Funds One SICAV-SIF</b>
Current assets	253,997	182,825
Current liabilities	9,519	11,621
Current net assets	244,478	171,204
Non-current assets	13,182,705	17,940,976
Non-current liabilities	0	0
Non-current net assets	13,182,705	17,940,976
<b>Net assets</b>	<b>13,427,183</b>	<b>18,112,180</b>
Accumulated net assets attributable to non-controlling Class P investment unit holders	<b>9,038,891</b>	<b>7,247,741</b>

<b>2018</b> <i>In thousands of Hungarian Forints (HUF)</i>	<b>Finext Funds BP SICAV-SIF</b>	<b>Finext Funds One SICAV-SIF</b>
Revenue	0	0
Profit for period	1,877,183	8,289,370
Other comprehensive income	0	0
<b>Total comprehensive income</b>	<b>1,877,183</b>	<b>8,289,370</b>
Profit allocated	(1,161,109)	1,080,449
Dividends paid	0	0

<b>2018</b> <i>In thousands of Hungarian Forints (HUF)</i>	<b>Finext Funds BP SICAV-SIF</b>	<b>Finext Funds One SICAV-SIF</b>
Cash flow from operating activities	19,819	(49,345)
Cash flow from investing activities	(11,265,822)	960,616
Cash flow from financing activities	11,500,000	(2,000,000)
<b>Net change in cash and equivalents</b>	<b>253,997</b>	<b>(1,088,729)</b>

**(d) Non-controlling interests**

Movements in non-controlling interests during the year ended 31 December 2018 and 31 December 2019 are as follows:

<i>In thousands of Hungarian Forints (HUF)</i>	<b>2019</b>	<b>2018</b>
<b>Opening balance</b>	<b>86,823</b>	<b>111,305</b>
Comprehensive income/(loss) attributable to non-controlling interests	33,386	9,938
Non-controlling interest arising on acquisition	88,175	40,551
Redemption of shares owned by non-controlling interest	0	(74,971)
<b>Closing balance</b>	<b>208,834</b>	<b>86,823</b>

### **3. Basis of preparation and measurement**

#### **(a) Basis of preparation and statement of compliance**

The consolidated financial statements of Cordia International Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and interpretations issued by the IFRS Interpretations Committee (IFRIC). The financial statements are for the group consisting of Cordia International Plc and its subsidiaries.

The consolidated financial statements have been prepared on a going concern basis, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of its operations. The consolidated financial statements were authorized by the Boards of Directors of Cordia International on the 11<sup>th</sup> May 2020.

The parent company and the subsidiaries operating in Hungary prepare their separate financial statements according to the Hungarian Accounting Standards 2000. C. (the HAS), the subsidiaries operating in Poland prepare their separate financial statements in accordance with accounting policies specified in the Polish Accounting Act dated 29 September 1994 with subsequent amendments and the regulations issued based on that Act (all together: 'Polish Accounting Standards'). The subsidiaries operating in Romania prepare their separate financial statements in accordance with accounting policies specified in Accounting Law no. 82/1991 with subsequent amendments and the regulations issued based on that Act (all together: 'Romanian Accounting Standards'). The subsidiaries operating in Spain prepare their separate financial statements in accordance with accounting policies specified in 'Plan General de Contabilidad 2008 (PGC2008)'. Some of the regulations in the Hungarian, Polish, Spanish or Romanian accounting standards are different from IFRS. These consolidated financial statements include a number of adjustments not included in the books of account of the Group entities, which were made in order to bring the financial statements of those entities to conformity with IFRSs as adopted by EU.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

#### **(b) Basis of measurement**

The consolidated financial statements have been prepared on a going concern basis, applying a historical cost convention, except for the measurement of those financial assets that have been measured at fair value through profit or loss. The methods used to measure fair values for the purpose to prepare the consolidated financial statements are discussed further in Note 18.

#### **(c) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in thousands of Hungarian Forint, which is the parent company's functional currency and the Group's presentation currency.



**(d) Basis of consolidation**

These Consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All the Group companies have 31 December as their year-end. Consolidated financial statements are prepared using uniform accounting policies for similar transactions. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Inter-company transactions, balances and unrealized gains or losses on transactions between Group companies are fully eliminated, except where there are indications for impairment.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Where property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Such transactions or events do not give rise to goodwill. As these transactions meet the exception definition as of IAS 12.15.b deferred tax related to the acquisition is not recognized at the transaction date. In case the transaction is between parties under common control the difference between the fair value of the assets and liabilities acquired and the consideration paid is accounted for in the other capital if it arose from a transaction with owners in their capacity as owners based on the analysis of the substance.

Otherwise, in case an acquired subsidiary or group of assets meets the definition of “business” as defined by IFRS 3 the Group applies the acquisition method to account for business combinations. In this case the consideration transferred is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

#### **Joint arrangements:**

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group

#### **(e) Use of estimates and critical judgments**

The Group estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

#### **Write-down revaluating the inventory:**

The company internally assesses the net realizable value of the inventory and decreases the value when the net realizable value is lower than the cost amount. In view of the situation in the Hungarian, Polish, Spanish and Romanian property market in which the Group operates, during the year ended 31 December 2019 and 31 December 2018 the Group performed an inventory review with regard to its valuation to net realizable value based on the valuation report issued by the independent property valuation expert. As a result, during the years ended 31 December 2019 and 31 December 2018, the Group did not make any write-down adjustment. The Group examined a possible write-down on inventory for each project separately, according to the projection of revenues net of cost of sales.

#### **Revenue recognition**

IFRS 15, Revenue from Contracts with Customers (issued in May 2014 and effective for the periods beginning on or after 1 January 2018):

##### **(i) Capitalization of incremental costs to obtain a contract**

- Cordia Group has already (before the adaptation of IFRS 15) capitalized variable sales commission of real estate agents in case those commissions can be directly linked to the specific sales contract in the previous year's consolidated financial statements. Capitalized sales commission is recognized as other asset and reversed to selling and marketing expenses upon transferring the control of property to the customer and recording the revenue.

**(ii) Recognizing revenue**

- IFRS 15 changed the indicators required to be assessed in order to determine, when revenue shall be recognized. In case of Cordia Group, based on IFRS 15.35 revenue shall be recognized at a point time. This is the point, when control over the property is transferred to the customer.

Based on IFRS 15.38, there are five indicators that a customer has obtained control of an asset:

- The entity has a present right to payment.
- The customer has legal title.
- The customer has physical possession.
- The customer has the significant risks and rewards of ownership.
- The customer has accepted the asset.

**(iii) Significant financing component**

Notwithstanding the provisions of IFRS 15 para 61, a contract with a customer would not have a significant financing component if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference.

Cordia Group believes that the customer pays in advance to ensure purchase of the apartment. This is the market practice and significant majority of the apartments are sold before completion of the projects. Selling price in case of paying in advance is not lower than the price that would be paid upon completion. Cordia Group believes that based on these arguments, payments are not made in advance to provide financing, therefore no significant financing component exists. Therefore transition to IFRS 15 had no impact on the financial statements.

**Subsidiaries with less than 50% ownership held by the Group**

As of 31 December 2019, the Group owns less than 50% of the investment units only in Finext BP SICAV-SIF, but it is capable of controlling the entities through the rights provided by its shares. As of 31 December 2018, in Finext Funds BP SICAV-SIF, Finext Funds One SICAV-SIF the Group owned less than 50% of the investment units, but it was capable of controlling the entities through the rights provided by its shares. This means that funds issued two classes of investment units, where the ones owned by the Group allow it to control the entities as required by IFRS 10 (i.e. all the major decisions are to be decided by Cordia International). Please also refer to Note 2 (c) about net assets attributable to non-controlling investment unit holders of these two funds.

#### **4. Significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

##### **(a) Foreign currency**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss for the year except for the exchange gains and losses related to cash flow hedges or hedges for qualified investments which shown in other comprehensive income. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented net in the income statement within finance expense and finance income respectively, unless they are capitalized as explained in Note 4(i) ("Borrowing costs"). All other foreign exchange gains and losses are presented net also in the income statement within finance expense and finance income respectively.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

IAS 21 requires entities to translate foreign currency monetary items outstanding at the end of balance sheet date using the closing rate. The closing rate is the spot exchange rate at the balance sheet date.

A foreign currency transaction is recorded, on initial recognition, at the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. This process is known as 'translation' – that is, financial data denominated in one currency is expressed in terms of another currency.

The date of transaction is the date on which the transaction first qualifies for recognition in accordance with IFRS. For revenues, expenses, gains and losses, the spot exchange rate at the dates on which those elements are recognised should be used; however, this might be impracticable in practice. Management might, therefore, use a rate that approximates to the actual rate (such as an average rate).

##### **(b) Revenue**

Revenue is recorded based on IFRS 15 from 1 January 2018.

Below the accounting policy for IFRS 15 is described based on the 5-step model.

##### **Identifying the contract**

An agreement between two or more parties that creates enforceable rights and obligations meets the definition of a contract in the revenue standard. A contract can be written, oral, or implied by Cordia Group's customary business practices.

Cordia Group's customary business practices is to have always written contracts with customers.

The following criteria should be met before Cordia Group accounts for a contract with a customer:

- a. the contract has been approved (in writing, orally, or in accordance with other customary business practices) and the parties are committed to perform their respective obligations,
- b. the entity can identify each party's rights;
- c. the entity can identify the payment terms;
- d. the contract has commercial substance; and
- e. it is probable that the entity will collect the consideration to which it is entitled for transferring the goods and services to the customer.

Cordia Group believes that the criteria above is met in case of all its written customer contracts.

### **Identify the performance obligations**

Performance obligations are the unit of account for the purposes of applying the revenue standard, and they therefore determine when and how revenue is recognised.

A performance obligation is a promise to provide a distinct good or service or a series of distinct goods or services. At contract inception, Cordia Group assesses the goods or services promised to a customer, and identifies each promise to transfer as either:

- a. a good or service (or a bundle of goods or services) that is distinct; or
- b. a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

Promises in a contract can be explicit, or implicit if they create a valid expectation that the entity will provide a good or service based on the entity's customary business practices, published policies or specific statements.

A series of distinct goods or services provided over a period of time is a single performance obligation if the distinct goods or services are substantially the same and have the same pattern of transfer to the customer. A series of distinct goods or services has the 'same pattern of transfer' if both of the following criteria are met:

- a. each distinct good or service meets the criteria to be a performance obligation satisfied over time; and
- b. the same measure of progress towards complete satisfaction of the performance obligation is used.

A good or service that is promised to a customer is distinct if:

- a. the customer can benefit from the good or service, either on its own or together with other resources that are readily available to the customer (that is, the good or service is capable of being distinct); and
- b. the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (that is, the promise to transfer the good or service is distinct within the context of the contract).

Cordia Group considers each property (i.e. apartment, parking lot, storage) as one performance obligation. Cordia Group transfers the control to the customer over the properties at the same time. Services are not sold together with the properties. Based on this, Cordia Group treats properties in each customer contract as a single performance obligation, because separation would not have an impact on the financial statements.

### **Determining the transaction price**

The transaction price in a contract reflects the amount of consideration that Cordia Group expects to be entitled to in exchange for goods or services transferred. The transaction price includes only those amounts to which the entity has rights under the present contract and excludes amounts collected on behalf of third parties. The consideration promised in a contract with a customer might include fixed amounts, variable amounts, or both. Contractually stated prices for goods or services might not represent the amount of consideration that Cordia Group expects to be entitled to as a result of its customary business practices with customers.

### **Allocating the transaction price to separate performance obligations**

The transaction price should be allocated to each separate performance obligation, or distinct good or service, so that revenue is recorded at an amount that depicts the amount of consideration that the entity expects to be entitled to in exchange for transferring the promised goods or services.

The transaction price should be allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services being provided to the customer.



## **Recognizing revenue**

Revenue is recognised when or as performance obligations are satisfied by transferring control of a promised good or service to a customer.

Control either transfers over time or at a point in time. Management needs to determine, at contract inception, whether control of a good or service transfers to a customer over time or at a point in time. If the performance obligation is not satisfied over time, it is satisfied at a point in time.

Revenue is recognised over time if any of the following three criteria are met:

- a. the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- b. the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- c. the entity's performance does not create an asset with an alternative use to the entity, and the entity has an enforceable right to payment for performance completed to date.

A performance obligation is satisfied at a point in time if none of the criteria for satisfying a performance obligation over time are met. The guidance on control should be considered, to determine when the performance obligation is satisfied by transferring control of the good or service to the customer. In addition, there are five indicators that a customer has obtained control of an asset:

- The entity has a present right to payment.
- The customer has legal title.
- The customer has physical possession.
- The customer has the significant risks and rewards of ownership.
- The customer has accepted the asset. [IFRS 15 para 38]

Based on the indicators above, Cordia Group recognizes revenue based on date of transferring the control of the properties to the customers. Please see the detailed accounting policy in Note 3 (e) about critical judgments.

## **Other considerations**

Cordia Group capitalises the incremental costs of obtaining a contract with a customer if it expects to recover those costs. However, costs to obtain a customer do not include payments to customers.

Cordia Group capitalizes variable sales commission of real estate agents in case those commissions can be directly linked to the specific sales contract. Capitalized sales commission is recognized as other asset and reversed to selling and marketing expenses upon transferring the property to the customer and recording the revenue.

Advances received related to pre-sales of residential units, which represent deferred income, are deferred when they do not meet the criteria to be recognized as revenue. When they subsequently meet these criteria, they are recognized as revenue.

Other revenues include rental income, service charges and management charges from properties. Revenue from service and management charges is measured at the fair value of the consideration received or receivable, and amounts disclosed as net of rebates and VAT.

Rental income from operating leases is recognized on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of incentives is recognized over the lease term, on a straight-line basis, as a reduction of rental income. Revenues from the early termination of operating leases recognized at the date of occurrence.

**(c) Financial instruments**

As described previously, the Group applies IFRS 9 for accounting of financial instruments from 1 January 2018.

**Classification and measurement**

**Financial assets**

All financial assets under IFRS 9 are to be initially recognised at fair value, plus or minus (in the case of a financial asset not at FVTPL) transaction costs that are directly attributable to the acquisition of the financial instrument.

IFRS 9 has two measurement categories: amortised cost and fair value. Movements in fair value are presented in either profit or loss or other comprehensive income (OCI), subject to certain criteria being met, as described below.

If the financial asset is a debt instrument (or does not meet the definition of an equity instrument in its entirety), management should consider the following assessments in determining its classification:

- The entity's business model for managing the financial asset.
- The contractual cash flows characteristics of the financial asset.

A financial asset should be subsequently measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding; 'principal' and 'interest'.

A financial asset should be subsequently measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both holding financial assets in order to collect contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

If the financial asset does not pass the business model assessment and SPPI criteria, or the fair value option is applied it is measured at FVTPL. This is the residual measurement category.

Cordia Group's business model refers to how an entity manages its financial assets in order to generate cash flows. IFRS 9 prescribes two business models: holding financial assets to collect contractual cash flows; and holding financial assets to collect contractual cash flows and selling. FVTPL is the residual category which is used for financial assets that are held for trading or if a financial asset does not fall into one of the two prescribed business models.

Investments in equity instruments are always measured at fair value. Equity instruments that are held for trading (including all equity derivative instruments, such as warrants and rights issues) are required to be classified at FVTPL, with dividend income recognised in profit or loss.

For all other equities within the scope of IFRS 9, management has the ability to make an irrevocable election on initial recognition, on an instrument-by-instrument basis, to present changes in fair value in OCI rather than profit or loss.

Cordia Group's financial assets are debt instruments that are measured at amortized cost because those are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and contractual term of the financial asset gives rise to cash flows that pass the SPPI test.

## **Financial liabilities**

Cordia Group recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract. It is, therefore, necessary to measure those contractual rights and obligations on initial recognition.

All financial liabilities in IFRS 9 are initially recognised at fair value, minus (in the case of a financial liability that is not at FVTPL) transaction costs that are directly attributable to issuing the financial liability.

There are two measurement categories for financial liabilities: fair value, and amortised cost. Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL or an entity has opted to measure a liability at FVTPL.

Trade receivables that do not have a significant financing component are initially measured at their transaction price. A similar concept is commonly applied to short-term trade payables where the effect of discounting would be immaterial, consistent with the requirements of paragraph 8 of IAS 8.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

The amortised cost of a financial asset or financial liability is defined as the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

All the financial liabilities of the Group are kept at amortized cost.

## ***Offsetting financial assets and financial liabilities***

Financial assets and liabilities are offset and presented in the statement of financial position as a net amount when the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

### ***Impairment of financial assets***

Cordia Group applies IFRS 9 impairment model to:

- investments in debt instruments measured at amortised cost;
- investments in debt instruments measured at fair value through other comprehensive income (FVOCI);
- all loan commitments not measured at fair value through profit or loss;
- financial guarantee contracts to which IFRS 9 is applied and that are not accounted for at fair value through profit or loss; and
- lease receivables that are within the scope of IFRS 16, 'Leases', trade receivables and contract assets within the scope of IFRS 15 that give rise to a conditional right to consideration.

The model does not apply to investments in equity instruments.

The entity follows the rules of IFRS 9 outlines a 'three-stage' model ('general model') for impairment based on changes in credit quality since initial recognition:

- Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or that (at the option of the entity) have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the ECL that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset, weighted by the probability that the loss will occur in the next 12 months.
- Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date and this option is taken by the entity) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the ECL that result from all possible default events over the maximum contractual period during which the entity is exposed to credit risk. ECL are the weighted average credit losses, with the respective risks of a default occurring as the weights.
- Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

Many of the Group's financial assets are inter-company loans within the scope of IFRS 9 might not require a material impairment provision to be recognised, because:

- they are repayable on demand and the lender expects to be able to recover the outstanding balance of the loan if demanded;
- they are low credit risk, so 12-month expected credit losses can be calculated, which might not be material; or
- they have not had a significant increase in credit risk since the loan was first recognised, or have a remaining life of less than 12 months, so 12-month expected credit losses are calculated, which, as noted above, might not be material.

Where inter-company loans do not meet any of the three criteria above, lifetime expected credit losses will need to be calculated, which are more likely not to give rise to a material impairment provision.

For trade receivables, contract assets and lease receivables Cordia Group applies simplifications eliminate the need to calculate 12-month ECL and to assess when a significant increase in credit risk has occurred.

For trade receivables or contract assets that do not contain a significant financing component, the loss allowance should be measured at initial recognition and throughout its life at an amount equal to lifetime ECL. As a practical expedient, a provision matrix is used to estimate ECL for these financial instruments

**(d) Trade and other receivables**

Financial assets recognized in the consolidated statement of financial position as trade receivables are recognized initially at fair value and subsequently measured at amortized cost calculated with the effective interest rate less provision for impairment.

**(e) Receivables from related parties**

Financial assets recognized in the consolidated statement of financial position as receivables from related parties consist of contract amount receivable in the normal business activity for goods and services, as well as loans granted to affiliates. Receivables from related parties are recognized initially at fair value and subsequently measured at amortized cost calculated with the effective interest rate less provision for impairment. Receivables from related parties are classified as current assets if the payment term is less than 12 months, in any other cases they are classified as non-current assets.

**(f) Cash and cash equivalents**

Cash and cash equivalents in the statement of financial positions comprise cash at banks and on hand, short-term deposits with an original maturity of three months or less, except for collateralized deposits, treasury bills if those are considered highly liquid assets with no significant risk furthermore the advance payment received from customers for project financing purposes if withdraw process is considered perfunctory.

The restricted cash classified as cash equivalent are related to cash received from customers as advance payment for financing the projects and the cash withdrawn from the project loan facilities. The banks providing loan financing have light restriction over these funds to secure their loan facility however the approval process to use these funds are considered perfunctory.

Cordia's model of operations assumes that instead of using payments received from customers directly to cover the development costs, majority of the cash received is deposited at accounts with restricted use as cash securing construction loans received. The banks allow however for full or partial the use of such funds, (sometimes subject to utilization fees) and these balances are presented as cash and cash equivalents in the financial information.

The control over the use of the deposited sums is always with Cordia based upon the agreement between the respective bank and Cordia and such action of unlocking deposited cash can take place in due time after such decision of Cordia management, i.e. without any unnecessary delay (but in any case not later than within a few banking days). This means, that the cash, which is deposited in the accounts with some restrictions applicable, can be fully and immediately exploited by the subsidiaries in order to net with the pre-agreed financial liabilities (e.g. bank loans) as well as to finance the relevant costs of the projects co-financed by the customers buying apartments.

The overdrafts are shown in current liabilities in borrowings line.

**(g) Trade and other payables**

Trade payables are contract amount payable in the normal business activity for goods and services. Trade payables are classified as current liabilities if the payment term is less than 12 months, in any other cases they are classified as non-current liability.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

**(h) Liabilities to related parties**

Liabilities to related parties are contract amount payable in the normal business activity for goods and services, as well as loans payable to affiliates. Liabilities to related parties are classified as current liabilities if the payment term is less than 12 months, in any other cases they are classified as non-current liability.

Liabilities to related parties are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

**(i) Borrowings**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized as finance cost over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down (and should be calculated with in the effective interest calculation and the amortized cost of the loan). In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

**(j) Property and equipment**

*i. Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of comprehensive income as incurred.

*ii. Depreciation*

Depreciation is calculated on the straight-line basis over the estimated useful life of each component of an item of property and equipment.

Depreciation, based on a component approach, is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives, as follows:

- Buildings: 50 years;
- Equipment's: 7 years;
- Fixtures and fittings: 7 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation methods, useful lives and residual values are reassessed at the reporting date, and adjusted prospectively since the beginning of the following year, if appropriate.

**(k) Leases**

This section summarizes the new accounting policies by reason of adaption of IFRS 16 Leases. The group leases various offices, parking places and cars. Rental contracts are typically made for fixed periods of 4 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The group has adopted IFRS 16 simplified method retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option,
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option .

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are wholly immaterial.

Extension and termination options are included in a number of property and equipment leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

The Group separates lease components and service components of a contract, and applies the lease accounting requirements only to the lease components.

The group does not provide residual value guarantees in relation to equipment leases.



### **Rights of perpetual usufruct of land (Poland)**

On 20 July 2018, the Act on the transformation of perpetual usufruct of land developed for residential purposes into ownership of that land came into force. In respect of land on which as of 1 January residential buildings were built for which an occupancy permit had been issued prior to that date, the perpetual usufruct of that land shall be transformed into ownership of that land. As regards land developed with multi-family residential buildings that have not been commissioned before 1 January 2019, the conversion date for such properties will be the day on which the decision permitting the occupancy of the building becomes final.

The Group is legally released from the debt arising from the obligation to pay perpetual usufruct fees or transformation fees only upon the legal (notarised) transfer to the buyer of the interest in the land appurtenant to the unit sold.

From 1 January 2019, costs related to lease of perpetual usufruct of land are recognized as inventories for the duration of the property project development. Before implementation of IFRS 16, these fees were expensed as incurred. Since these fees related to the land, no depreciation is recorded on these right-of-use assets.

The related lease liability is recognised under short-term liabilities.

Until the time of transfer of the above mentioned ownership, land-related lease liabilities remain on the balance sheet of the Group. At the time of handover of the unit (which is also the time of recognition of the revenue from the sale of the unit), the portion of the asset related to the lease is transferred from Inventory to Receivables from the customer, in the amount corresponding to the recognised land-related lease liability.

Until the time of transfer of the ownership to the customer, both the receivable and the liability are recognised as a short-term receivable or liability, because they will be settled through the transfer to the customer within the "operating cycle". At the date of ownership transfer to the buyer, land-related lease liability and the related receivables from the buyer of the unit are reversed from the accounting records.

The Group has decided to present right-of-use assets within the same item in which the relevant underlying assets would be presented if they were owned by the Group (as lessee).

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

**(l) Inventories of residential units**

Inventories consist of multi-family residential real estate projects to individual customers.

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred relating to the construction of a project. Costs relating to the construction of a project are included in inventories of residential units as follows: costs incurred relating to projects or a phase of a project which are not available for sale (work in progress), costs incurred relating to units unsold associated with a project.

Project construction costs include:

- land or leasehold rights for land;
- construction costs paid to the general contractor building the residential project;
- planning and design costs;
- perpetual usufruct fees and real estate taxes incurred during the period of construction;
- borrowing costs to the extent they are directly attributable to the development of the project (see accounting policy (p));
- professional fees attributable to the development of the project;
- construction overheads and other directly related costs.

Inventory is recognized as a cost of sales in the statement of comprehensive income when the sale of residential units is recognized.

**(n) Impairment of non-financial assets**

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's or a cash generating unit's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or a cash generating unit exceeds its recoverable amount.

The recoverable amount of an asset or a cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(o) Equity**

*i. Share capital*

Share capital includes the proceeds received from the issue of ordinary shares on the nominal value in exchange for cash.

*ii. Share premium*

Share premium includes the excess of proceeds received from the issue of shares over the nominal value of shares. Shares issuance costs are deducted from the share premium.

**(p) Dividend distribution**

Dividend distribution to the parent company's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved.

**(q) Borrowing costs**

Borrowing costs directly attributable to the inventory of properties which necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of the respective assets.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalized equals the gross interest incurred on those borrowings. Interest is capitalized as from the commencement of the development work until the date of completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted.

To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to all borrowings of the entity that are outstanding during the period. However, an entity shall exclude from this calculation borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare that asset for its intended use or sale are complete. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The Group has carried out a successful bond issue on 5 November 2019 (Cordia 2026/I). The financial settlement date is 7 November 2019, the maturity is 7 November 2026. The amount of funds raised is HUF 44.4 billion. The capitalization rate equals to the effective interest rate of the Bonds.

There was no general borrowing in financial year 2018

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**(r) Interest income and expense**

Interest income and expense are recognized within 'finance income' and 'finance expense' in profit or loss using the effective interest rate method, except for borrowing costs relating to qualifying assets, which are capitalized as part of the cost of that asset. The Group has chosen to capitalize borrowing costs on all qualifying assets irrespective of whether they are measured at fair value or not. Properties built in residential property development projects are considered to be qualifying assets for the Group.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, pre-payment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

**(s) Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in other comprehensive income or equity - in which case, the tax is also recognized in other comprehensive income or equity.

The Group based on the operation of the mother company considers the following taxes as income tax defined by IAS 12:

- corporate income tax;
- local trade tax;
- innovation duty.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group established a tax-efficient legal structure, as the property development funds and subfunds are not obliged to pay income taxes under the current laws and regulations, therefore the Group's effective tax rate is low (please see effective tax reconciliation in Note 14).

#### **(t) Fair Value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### **(u) Amounts withheld for guarantees**

As of 30 June 2019, the Group presents separately the amounts withheld for guarantees in its statement of financial position. Please refer to Note 23 for the impact on change in presentation.

Amounts withheld for guarantees is the contractual amount that the Group withholds from the vendor's final invoice at the time of delivery. The remaining amount serves as a security for the Cordia Group's warranty rights. At the end of the warranty period, the remaining amount is paid to the contractor, provided that it has not been used up previously to cover the warranty claims of the developer due to non-contractual delivery. Amounts, where the expected payment date is after the balance sheet date by more 1 year are presented among non-current liabilities. The Group believes, that – since the payment date is generally within 2 years – the impact of discounting would be wholly immaterial, therefore presents these balances using the contractual amounts.

#### **(v) Bonds**

Bonds are initially recognised at fair value, net of transaction costs incurred then subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as financial income or finance costs.

Based on IAS23 general and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

## 5. Adoption of new and revised Standards

### A) New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

The group also elected to adopt the following amendments early:

- Definition of Material – Amendments to IAS 1 and IAS 8.

Except for IFRS 16, these new standards and amendments had no significant impact on the consolidated financial statements of the group.

### B) Adjustments recognised on adoption of IFRS 16

This note explains the impact of the adoption of IFRS 16 Leases on the group's financial information and discloses the new accounting policies that have been applied from 1 January 2019. The group has adopted IFRS 16 simplified method retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2%.

The Group has not classified any leases as financial lease in 2018, so this not resulted adjustments in measurement.

<i>In thousands of Hungarian Forints (THUF)</i>		<b>01.01.2019</b>
<u>Operating lease commitments disclosed as at 31 December 2018</u>		<u>1,809,764</u>
Rights of perpetual usufruct of land	<i>a</i>	1,333,390
Discounted using the lessee's incremental borrowing rate at the date of initial application	<i>b</i>	(83,156)
Change in office rental extension option	<i>c</i>	(633,008)
<b>Lease liability recognised as at 1 January 2019</b>		<b>2,426,990</b>
Of which are		
<b>Current lease liabilities</b>		<b>1,817,866</b>
<b>Non-current lease liabilities</b>		<b>609,124</b>

“a” Perpetual usufruct fees payable by Polish subsidiaries were not disclosed as operating lease commitments as at 31 December 2018. Management reassessed the classification of perpetual usufruct fees based on IFRS 16 and considered them to be leases. This causes a difference between the IFRS 16 lease liability as of 1 January 2019 and the operating lease commitment presented in prior year’s financial statements. Please see the accounting policies paragraph (k) Leases for more details about perpetual usufruct fees and their accounting under IFRS 16.

“b” Operating lease commitment were presented – in line with IAS 17 – using undiscounted amounts. IFRS 16 lease liabilities are discounted.

“c” Upon implementation of IFRS 16, Management analysed the lease contracts and the lease term based on IFRS 16 requirements and calculated lease liability accordingly. In case of certain office lease agreements, Management considers it to be reasonably certain to use termination options provided by the lease contracts for early termination. Amounts disclosed in IAS 17 operating lease commitment table were incorrectly calculated using the full contractual term, without considering termination options.

The associated right-of-use assets for property leases were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised as of 1 January 2019, as permitted by IFRS 16. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The Group has decided to present right-of-use assets within the same item in which the relevant underlying assets would be presented if they were owned by the Group (as lessee).

<i>In thousands of Hungarian Forints (THUF)</i>	<b>31.12.2019</b>	<b>01.01.2019</b>
Buildings	845,367	1,045,718
Machinery and vehicles	49,088	47,882
Rights of perpetual usufruct of land (inventory)	2,060,816	1,333,390
<b>Total right of use asset</b>	<b>2,955,271</b>	<b>2,426,990</b>

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- property, plant and equipment – increase by 1,093,600
- inventory – increase by 1,333,390
- lease liabilities – increase by 2,283,024

The net impact on retained earnings on 1 January 2019 was 0.

### **Practical expedients applied**

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.



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**(i) Impact on segment disclosures**

Segment assets and segment liabilities for December 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities. The following segments were affected by the change in policy:

<i>In thousands of Hungarian Forints (THUF)</i>	<b>Segment asset</b>	<b>Segment liability</b>
Hungary	428,403	430,884
Poland	2,505,695	2,509,234
Romania	21,174	21,240
Spain	0	0
<b>Total</b>	<b>2,955,271</b>	<b>2,961,358</b>

**(ii) Impact on balance sheet**

**31.12.2019**

<i>In thousands of Hungarian Forints (HUF)</i>	<b>31 December 2019</b>	<b>Impact of IFRS 16</b>	<b>31 December 2019 as presented</b>
Current assets	172,131,627	2,060,816	174,192,443
Current liabilities	36,838,945	2,328,719	39,167,664
Current net assets	135,292,683	(267,904)	135,024,779
Non-current assets	6,483,752	894,456	7,378,208
Non-current liabilities	90,229,211	632,638	90,861,849
Non-current net assets	(83,745,458)	261,817	(83,483,641)
<b>Net assets</b>	<b>51,547,224</b>	<b>(6,086)</b>	<b>51,541,138</b>

**01.01.2019**

<i>In thousands of Hungarian Forints (HUF)</i>	<b>31 December 2018 as presented</b>	<b>Impact of IFRS 16</b>	<b>1 January 2019</b>
Current assets	86,363,952	1,333,390	87,697,342
Current liabilities	41,716,560	1,817,866	43,534,426
Current net assets	44,647,392	(484,476)	44,162,916
Non-current assets	7,407,689	1,093,600	8,501,289
Non-current liabilities	18,809,506	609,124	19,418,630
Non-current net assets	(11,401,817)	484,476	(10,917,341)
<b>Net assets</b>	<b>33,245,575</b>	<b>0</b>	<b>33,245,575</b>

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**(iii) Impact on profit and loss**

<b>01.01.2019-31.12.2019</b>			
<i>In thousands of Hungarian Forints (HUF)</i>	<b>2019</b>	<b>Impact of IFRS16</b>	<b>2019 as presented</b>
Operating profit	7,217,104	(53,716)	7,163,388
Finance cost	(314,359)	59,802	(254,557)
Share of loss/(profit) in joint venture	(146,460)	0	(146,460)
Profit before tax	6,756,285	6,086	6,762,371
Income tax expense	(329,125)	0	(329,125)
<b>Profit for the year</b>	<b>6,427,160</b>	<b>6,086</b>	<b>6,433,246</b>

**(iv) Impact on cash flow**

<b>01.01.2019-31.12.2019</b>			
<i>In thousands of Hungarian Forints (HUF)</i>	<b>2019</b>	<b>Impact of IFRS 16</b>	<b>2019 as presented</b>
Cash flow from operating activities	(21,237,346)	59,802	(21,177,544)
Cash flow from investing activities	(13,813,178)	0	(13,813,178)
Cash flow from financing activities	66,680,372	(59,802)	66,620,570
Net change in cash and equivalents	31,629,848	<b>0</b>	31,629,848

**C) Impact of standards issued but not yet applied by the Group**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## 6. Revenue

For the year ended 31 December	2019	2018
<i>In thousands of Hungarian Forints (THUF)</i>		
Revenue from sale of real estate	33,631,034	16,885,450
Other revenue	847,361	2,968,556
<b>Total revenue</b>	<b>34,478,395</b>	<b>19,854,006</b>

Revenue from sales of real estate is recognized at point in time and consists of sale of residential units and related parking lots and storage. Other revenue includes revenues from rental and service charge, as well as assignment fees for the purchase right of a land plot. Revenues from service and rental charges are recognized over time, other fees are recorded at a point in time.

During the financial year 2019, the Group finished two projects in Hungary and two in Poland and started to hand over the apartments to its customers. Revenue was also recognized from delivering apartments on projects finished in the previous period.

In total the Company delivered 843 apartments to its customers during 2019, of which 560 units were delivered in Hungary and 283 units were delivered in Poland, while during 2018 the relevant results amount to 353 and 183 units respectively.

Please refer also to note 20 about related party transactions.

For the period ended 31 December	2019
<i>In thousands of Hungarian Forints (THUF)</i>	
<b>Opening balance of capitalized variable sales commissions</b>	<b>426,173</b>
Increase	406,533
Amortization	299,621
<b>Closing balance of capitalized variable sales commissions</b>	<b>533,085</b>

Capitalized variable sales commission are presented among other long-term assets and other short-term assets based on the expected delivery date of the related construction project.

Please refer also to note 19 about investment commitments, and contracted sales, and note 25 about the sales breakdown by segment.

## 7. Cost of sales

For the year ended 31 December	2019	2018
<i>In thousands of Hungarian Forints (THUF)</i>		
Cost of sales of main activities	21,175,967	11,920,952
Cost of sales of other revenue	10,259	228,703
<b>Total cost of sales</b>	<b>21,186,226</b>	<b>12,149,655</b>

## 8. Selling and marketing expenses

For the year ended 31 December	2019	2018
<i>In thousands of Hungarian Forints (THUF)</i>		
Advertising	1,095,831	1,245,256
Sales and other	1,648,350	711,535
<b>Total selling and marketing expenses</b>	<b>2,744,181</b>	<b>1,956,791</b>

The majority of selling and marketing expenses is related to advertising residential properties under construction. Sales and other costs includes all the sales costs not directly related and not incremental to a specific customer contract. Incremental sales bonuses are capitalized as “Other long-term assets” in an amount of THUF 533,085 as of 31 December 2019 (THUF 426,173 as of 31 December 2018).

## 9. Administrative expenses

For the year ended 31 December	2019	2018
<i>In thousands of Hungarian Forints (THUF)</i>		
Personnel expenses and external services	2,351,515	1,366,235
Materials and energy	58,218	46,579
Depreciation	198,466	154,930
Bank fees and other charges	153,984	61,516
<b>Total administrative expenses</b>	<b>2,762,183</b>	<b>1,629,260</b>

Personnel expenses are related to staff of the Hungarian, Polish and the Romanian management companies (Cordia Management Szolgáltató Kft., Futureal Management Poland Sp. Z.o.o. and Cordia Development Services Srl.). This does not include construction and engineering staff costs, which are capitalized as inventory.

Personnel expenses include also the payments to the key management team responsible for development of the residential projects made via participation in the earnings generated by relevant subsidiaries or funds dedicated to particular investments. These expenses are not capitalized to inventories and are disclosed as personnel expenses.

## 10. Breakdown of expenses by nature

For the year ended 31 December	2019	2018
<i>In thousands of Hungarian Forints (THUF)</i>		
Employee benefits expenses	1,061,166	481,838
Material type expenditures	4,246,732	2,949,283
Depreciation and amortization	198,466	154,930
<b>Total</b>	<b>5,506,364</b>	<b>3,586,051</b>

Material type expenditures consist of Selling and Marketing related services provided by external suppliers in the amount of HUF 2,744,181 thousand, externally provided General Administrative type services in the amount of HUF 1,290,350 thousand and of Bank Fees, material and Energy Costs in the amount of HUF 212,202 thousand.

## 11. Other expenses

For the year ended 31 December	2019	2018
<i>In thousands of Hungarian Forints (THUF)</i>		
Taxes	103,292	152,182
Fines, penalties, default interest and compensation	194,294	189,189
Other	416,656	268,613
<b>Total other expense</b>	<b>714,242</b>	<b>609,984</b>

## 12. Other income

For the year ended 31 December	2019	2018
<i>In thousands of Hungarian Forints (THUF)</i>		
Other	91,825	19,570
<b>Total other income</b>	<b>91,825</b>	<b>19,570</b>

### 13. Finance income and expense

For the year ended 31 December 2019	
<i>In thousands of Hungarian Forints (THUF)</i>	<b>Total amount</b>
Interest income	35,764
Other finance income	2,003,255
<b>Finance income</b>	<b>2,039,019</b>
Interest expense	218,403
Other finance expense	2,075,173
<b>Finance expense</b>	<b>2,293,576</b>
<b>Net finance income / (expense)</b>	<b>(254,557)</b>

Finance expense include these finance expenses that are not capitalized – directly nor indirectly – to the inventories. Cost of the bank financing, if relates to securing the needs of the asset under development (work in progress) are typically capitalized (directly) to the particular asset. Part of the finance expense related to bonds issued by the Company is indirectly capitalized to the inventories, as the funds raised by the Company via the bonds issues are used – among the other needs – for financing of the properties acquisition and their preparations and development.

For the year ended 31 December 2018	
<i>In thousands of Hungarian Forints (THUF)</i>	<b>Total amount</b>
Interest income	294,912
Other finance income	961,613
<b>Finance income</b>	<b>1,256,525</b>
Interest expense	35,531
Other finance expense	1,101,313
<b>Finance expense</b>	<b>1,136,844</b>
<b>Net finance income / (expense)</b>	<b>119,681</b>

Other finance income and cost is mainly related to realized foreign exchange differences on borrowing and trade payables.

Please refer to Note 16(a) about loans granted to related parties, which generates most of the interest income. Interest expense is recognized mainly for bank loans, related party loans and non-capitalizable interest of bonds. Please also refer to Note 16(d) about loans, Note 16(e) about liabilities to related parties and Note 16(h) about bond related liabilities.



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**14. Income tax**

For the year ended 31 December	2019	2018
<i>In thousands of Hungarian Forints (THUF)</i>		
<b>Current tax</b>		
Current period	368,002	245,489
Taxation in respect of previous periods	0	0
<b>Total current tax expense / (benefit)</b>	<b>368,002</b>	<b>245,489</b>
<b>Deferred tax</b>		
Origination and (reversal) of temporary differences	(38,877)	21,227
Tax losses utilized / (recognized)	0	0
<b>Total deferred tax expense / (benefit)</b>	<b>(38,877)</b>	<b>21,227</b>
<b>Total income tax expense / (benefit)</b>	<b>329,125</b>	<b>266,616</b>

**Reconciliation of effective tax rate**

For the year ended 31 December	2019	2018
<i>In thousands of Hungarian Forints (THUF)</i>		
Profit / (loss) for the year	6,433,246	3,278,195
Total income tax expense / (benefit)	329,125	266,616
<b>Profit / (loss) before income tax</b>	<b>6,762,371</b>	<b>3,544,811</b>
<b>Expected income tax using the Hungarian tax rate (9%)</b>	<b>608,613</b>	<b>305,058</b>
<b>Tax effect of:</b>		
Impact of other income taxes <sup>1</sup>	58,757	49,466
Non-taxable profit <sup>2</sup>	(348,640)	(126,867)
Other differences <sup>3</sup>	10,395	38,959
<b>Tax expense for the period</b>	<b>329,125</b>	<b>266,616</b>
<b>Effective tax rate</b>	<b>5%</b>	<b>7%</b>

<sup>1</sup> This line mainly includes the impact of Hungarian local business tax, which is also classified as income tax based on IAS 12.

<sup>2</sup> Hungarian investments funds are not subject to income tax.

<sup>3</sup> Other differences contain non-deductible expenses, impacts of different tax rates used at foreign entities and foreign exchange differences. None of these items are material separately.

## 15. Non-financial assets and liabilities

This note provides information about the group's non-financial assets and liabilities, including specific information about each type of non-financial asset and non-financial liability:

- Intangible assets (note 15(a))
- Property, plant and equipment (note 15(b))
- Inventories (note 15(c))
- Other assets (note 15(d))
- Customer advances (note 15(e))
- VAT receivables (note 15(f)).

### 15.(a) Intangible assets

For the year ended 31 December 2019	Software	Intellectual property and rights	Total
<i>In thousands of Hungarian Forints (THUF)</i>			
<b>Cost or deemed cost</b>			
Balance at 1 January	19,433	237,351	256,784
Additions	56,104	29,281	85,385
Sales and disposals	0	94	94
<b>Closing balance</b>	<b>75,537</b>	<b>266,538</b>	<b>342,075</b>
<b>Depreciation and impairment losses</b>			
Balance at 1 January	9,984	58,944	68,928
Depreciation for the period	24,842	53,111	77,953
Sales and disposals	0	46	46
<b>Closing balance</b>	<b>34,826</b>	<b>112,009</b>	<b>146,835</b>
Currency Translation Adjustment	1,642	23	1,665
<b>Carrying amounts</b>			
At 1 January	9,449	178,407	187,856
<b>Closing balance</b>	<b>42,353</b>	<b>154,552</b>	<b>196,905</b>

The increase in intangible assets consists of the normal office software and the implementation of IT systems. All intangible assets has finite useful lives and they are amortized using the straight-line method. Average useful life is 3 years.

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For the year ended 31 December 2018	Software	Intellectual property and rights	Total
<i>In thousands of Hungarian Forints (THUF)</i>			
<b>Cost or deemed cost</b>			
Balance at 1 January	15,502	142,963	158,465
Additions	9,117	96,717	105,834
Sales and disposals	(5,186)	(2,329)	(7,515)
<b>Closing balance</b>	<b>19,433</b>	<b>237,351</b>	<b>256,784</b>
<b>Depreciation and impairment losses</b>			
Balance at 1 January	3,930	17,547	21,477
Depreciation for the period	7,347	42,510	49,857
Sales and disposals	(1,293)	(1,113)	(2,406)
<b>Closing balance</b>	<b>9,984</b>	<b>58,944</b>	<b>68,928</b>
<b>Carrying amounts</b>			
At 1 January	11,572	125,416	136,988
<b>Closing balance</b>	<b>9,449</b>	<b>178,407</b>	<b>187,856</b>

**15.(b) Property, plant and equipment**

For the year ended 31 December 2019	Buildings	Machinery and vehicles	Furniture, fittings and equipment	Assets under construction	Total
<i>In thousands of Hungarian Forints (THUF)</i>					
<b>Cost or deemed cost</b>					
Balance at 1 January	348,347	52,820	479,429	7,017	887,613
Recognition of right-of-use asset on initial application of IFRS 16	1,045,718	47,882	0	0	1,093,600
<b>Adjusted balance at 1 January</b>	<b>1,394,065</b>	<b>100,702</b>	<b>479,429</b>	<b>7,017</b>	<b>1,981,213</b>
Additions	135,508	4,933	110,358	298,959	549,758
Sales and disposals	0	0	17,988		17,988
Capitalization				250,799	250,799
<b>Closing balance</b>	<b>1,529,573</b>	<b>105,635</b>	<b>571,799</b>	<b>55,177</b>	<b>2,262,184</b>
<b>Depreciation and impairment losses</b>					
Balance at 1 January	25,533	15,274	180,022	0	220,829
Depreciation charge for the period	289,647	23,866	112,820	0	426,333
Sales and disposals	-	-	7,714	0	7,714
<b>Closing balance</b>	<b>315,180</b>	<b>39,140</b>	<b>285,128</b>	<b>0</b>	<b>639,448</b>
Currency Translation Adjustment	800	601	1,496	281	3,178
<b>Carrying amounts</b>					
At 1 January	322,814	37,546	299,407	7,017	666,784
<b>Closing balance</b>	<b>1,215,193</b>	<b>67,096</b>	<b>288,167</b>	<b>55,459</b>	<b>1,625,914</b>

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The following table shows the movements of Right of use asset:

**For the year ended 31 December 2019**

*In thousands of Hungarian Forints (THUF)*

**Right of use Asset**

**Cost or deemed cost**

Balance at 1 January	1,093,600
Additions to right of use assets	86,164
Termination of contracts	
<b>Closing balance</b>	<b>1,179,764</b>

**Depreciation and impairment losses**

Balance at 1 January	285,309
Depreciation charge for right of use assets	0
Termination of contracts	0
<b>Closing balance</b>	<b>285,309</b>

**Carrying amounts**

At 1 January	0
<b>Closing balance</b>	<b>894,455</b>

**For the year ended 31 December 2018**

*In thousands of Hungarian Forints (THUF)*

	<b>Buildings</b>	<b>Machinery and vehicles</b>	<b>Furniture, fittings and equipment</b>	<b>Assets under construction</b>	<b>Total</b>
<b>Cost or deemed cost</b>					
Balance at 1 January	264,320	45,983	373,218	0	683,521
Additions	84,027	6,837	112,916	210,797	414,577
Sales and disposals	0	0	(6,705)	0	(6,705)
Capitalization	0	0	0	(203,780)	(203,780)
<b>Closing balance</b>	<b>348,347</b>	<b>52,820</b>	<b>479,429</b>	<b>7,017</b>	<b>887,613</b>
<b>Depreciation and impairment losses</b>					
Balance at 1 January	8,073	12,210	99,249	0	119,532
Depreciation for the period	17,460	3,064	80,766	0	101,290
Sales and disposals	0	0	(3)	0	(3)
<b>Closing balance</b>	<b>25,533</b>	<b>15,274</b>	<b>180,022</b>	<b>0</b>	<b>220,829</b>
<b>Carrying amounts</b>					
At 1 January	256,247	33,773	273,969	0	563,989
<b>Closing balance</b>	<b>322,814</b>	<b>37,546</b>	<b>299,407</b>	<b>7,017</b>	<b>666,784</b>

**Impairment loss**

In the years ended 31 December 2019 and 31 December 2018, the Group did not recognize any impairment loss with respect to property and equipment.

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**15.(c). Inventory**

<i>In thousands of Hungarian Forints (HUF)</i>	<b>Closing balance 31.12.2019</b>	<b>Closing balance 31.12.2018</b>
<i>Lands and Acquisition costs</i>	43,088,118	23,848,389
<i>Construction and Engineering costs</i>	46,190,554	24,846,020
<i>Planning</i>	2,846,612	2,094,340
<i>Borrowing costs</i>	1,358,735	802,936
<i>Other, including capitalized VAT</i>	3,248,666	629,647
<b>Work in progress</b>	<b>96,732,685</b>	<b>52,221,332</b>
<i>In thousands of Hungarian Forints (HUF)</i>	<b>Closing balance 31.12.2019</b>	<b>Closing balance 31.12.2018</b>
<b>Finished goods</b>	<b>4,013,992</b>	<b>6,424,014</b>
<i>In thousands of Hungarian Forints (HUF)</i>	<b>Closing balance 31.12.2019</b>	<b>Closing balance 31.12.2018</b>
<b>Goods for resale</b>	<b>146,809</b>	<b>67,960</b>
<i>In thousands of Hungarian Forints (HUF)</i>	<b>Closing balance 31.12.2019</b>	<b>Closing balance 31.12.2018</b>
<b>Advances for delivery of goods</b>	<b>0</b>	<b>0</b>
<i>In thousands of Hungarian Forints (HUF)</i>	<b>Closing balance 31.12.2019</b>	<b>Closing balance 31.12.2018</b>
<b>Rights of perpetual usufruct of land (lease)</b>	<b>2,060,815</b>	<b>0</b>
<i>In thousands of Hungarian Forints (HUF)</i>	<b>Closing balance 31.12.2019</b>	<b>Closing balance 31.12.2018</b>
<b>Write-down</b>	<b>0</b>	<b>0</b>
<i>In thousands of Hungarian Forints (HUF)</i>	<b>Closing balance 31.12.2019</b>	<b>Closing balance 31.12.2018</b>
<b>Total inventories at the lower of cost or net realizable value</b>	<b>102,954,301</b>	<b>58,713,306</b>

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The valuation of inventory is as follows:

<b>As at 31 December</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
<i>In thousands of Hungarian Forints (HUF)</i>		
Net realizable value exceeding cost	102,954,301	58,713,306
Valued at net realizable value*	0	0
<b>Total inventory</b>	<b>102,954,301</b>	<b>58,713,306</b>

\*These inventories had to be impaired to net realizable value since their costs exceeded their net realizable value.

For information about future commitments to the general contractor for construction services related to inventory construction, see Note 19.

Inventory is pledged and used to secure bank loans. Please refer to note 16(d) about the pledging.

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**15.(d) Other assets**

<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2019</b>	<b>31.12.2018 as restated</b>
Consideration paid for the acquisition of subsidiaries	10,472,932	0
Advances and prepayments made for inventories	313,425	0
Advances and prepayments made for services	629,258	33,985
Prepaid expenses	588,141	844,590
Other	78,030	0
<b>Total closing balance</b>	<b>12,081,786</b>	<b>878,575</b>
<b>Closing balance includes:</b>		
Other long-term assets	613,036	577,376
Other short-term assets	11,468,750	301,199
<b>Total closing balance</b>	<b>12,081,786</b>	<b>878,575</b>

Balances presented as other assets are not a financial assets based on IFRS 9.



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**15.(e) Customer advances received**

The table below presents the project level breakdown of the liability originated from customer advances received.:

<i>In thousands of Hungarian Forints (HUF)</i>	<b>Project name</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Cordia Development 1. Development Fund	Corvin Átrium	880	1,718,788
Cordia Development 2. Development Fund	Thermal Zugló 2	0	751,494
Cordia Development 2. Development Fund	Thermal Zugló 3	2,717,965	1,466,090
Cordia Global 1. Development Subfund	Kapás 21	75,226	3,272,616
Cordia Global 10. Development Subfund	Sasad Hilltop	1,192,212	362,959
Cordia Global 11. Development Subfund	Grand Corvin	3,619,833	1,353,576
Cordia Global 12. Development Subfund	Marina Portside	1,583,568	397,942
Cordia Global 13. Development Subfund	Universo	2,820,664	0
Cordia Global 14. Development Subfund	N/A	0	184,279
Cordia Global 17. Development Subfund	Young City 3	765,586	0
Cordia Global 18. Development Subfund	Akadémia Garden	1,372,184	145,137
Cordia Global 19. Development Subfund	Grand Corvin 2	6,480,881	0
Cordia Global 2. Development Subfund	Corvin Átrium 2	913,816	6,754,793
Cordia Global 3. Development Subfund	Young City	1,429,614	1,372,536
Cordia Global 3. Development Subfund	Young City 2	2,017,741	1,625,524
Cordia Global 4. Development Subfund	Rózsa55	1,326,021	4,059,227
Cordia Global 5. Development Subfund	Grand'Or	968,666	696,197
Cordia Global 7. Development Subfund	Marina Garden	7,805,922	5,515,641
Cordia Global 8. Development Subfund	Sasad Resort Hill	1,204,576	1,115,162
Cordia Global 8. Development Subfund	Sasad Resort Sun	1,193,490	1,049,102
Cordia Global 9. Development Subfund	Centropolitan	737,951	317,684
Cordia FM Társasházkezelő Kft	N/A	62,747	37,459
Cordia Parcului Residential project SRL	Parcului20	675,464	15,546
Projekt Krakow 1	Lotnicówka	489,104	0
Cordia Supernova Sp. Z o.o.	Supernova	66,804	2,347,030
Projekt Warszawa 1	Zielone Bemowo 1	517,817	1,176,157
Projekt Warszawa 1	Zielone Bemowo 2	715,039	0
Villena sp. z o.o.	Cystersów Garden 2	0	28,865
Projekt Warszawa 2 Cordia Partner 3 Sp. z o.o. Sp.k.	Horyzont Praga	44,696	0
Projekt Kraków 3 Cordia Partner 2 Sp. z o.o. Sp.k.	Jerozolimska	11,639	0
<b>Total excluding JV</b>		<b>40,810,106</b>	<b>35,763,804</b>
Cordia Global 6. Development Subfund	Marina Life	1,843,563	1,104,495
Cordia Global 6. Development Subfund	Marina Life 2	982,397	0
<b>Total including JV</b>		<b>43,636,066</b>	<b>36,868,299</b>

**For the year ended**

**2019**

*In thousands of Hungarian Forints (THUF)*

<b>Opening balance of customer advances</b>	<b>35,763,806</b>
Increase in contract liabilities from customer advances received for not completed performance obligations	23,551,409
VAT related contract liability decrease that was included in the contract liability balance at the beginning of the period	853,806
Revenue recognised that was included in the contract liability balance at the beginning of the period	17,651,302
<b>Closing balance of customer advances</b>	<b>40,810,106</b>

#### 15.(f) VAT receivables

Other tax receivables contains each year the receivables coming from different non-income tax type of taxes. The majority is VAT, balances from other taxes are not material. Since the Companies paid significant input VAT for their purchases and currently output VAT is not significant.

Based on the Hungarian legislation, in case advances from customers, VAT shall be paid by the Company upon receiving the advance from the customer. This amount is shown as other asset and it is deductible from the VAT payable upon invoicing the final invoice to the customer (i.e. upon handing over the finished apartments). Since finalizing the construction projects takes more than one year, the VAT related to project to be completed after 31 December 2020 is classified as non-current.

VAT receivables mainly contain VAT receivable relating to customer advance payments. Similarly to restricted cash, now Management's expectation is that these amounts may be realized within the normal operating cycle, therefore these balances are presented under current asset as at 31 December 2019.

#### 15.(g) Lease liabilities

This note provides information for leases where the group is a lessee.

<i>In thousands of Hungarian Forints (HUF)</i>	<b>2019</b>	<b>2018</b>
Opening balance	0	0
Recognition of lease liabilities on initial application of IFRS 16	<b>2,426,990</b>	0
Adjusted opening balance	2,426,990	0
Recognition of new lease liability	822,000	0
Derecognition of lease liability	(8,406)	0
Interest expense	59,802	0
Repayment of lease liability	(339,029)	0
<b>Total closing balance</b>	<b>2,961,357</b>	<b>0</b>
<b>Closing balance includes:</b>		
Long-term lease liabilities	632,638	0
Long-term lease liabilities	2,328,719	0
<b>Total closing balance</b>	<b>2,961,357</b>	<b>0</b>

The statement of profit or loss shows the following amounts relating to leases except for depreciation charges of Right of use assets:

<i>In thousands of Hungarian Forints (HUF)</i>	<i>Note</i>	<b>2019</b>	<b>2018</b>
Interest expense	(13)	59,802	0
Expense relating to short-term leases	(9)	285,308	0
Expense relating to leases of low-value assets that are not shown above as short-term leases	(9)	0	0
Expense relating to variable lease payments not included in lease liabilities	(9)	0	0

The total cash outflow for leases in 2019 was HUF 345.110thousand.

## 16. Financial assets and financial liabilities

This note provides information about the group's financial instruments, including:

- an overview of all financial instruments held by the group
- specific information about each type of financial instrument.

The group holds the following financial instruments:

### For the year ended 31 December 2019:

<i>In thousands of Hungarian Forints (HUF)</i>	<b>Financial assets at FV through P/L</b>	<b>Financial assets at amortized cost</b>	<b>Total</b>
<b>Non-current financial assets</b>			
Long-term receivables from related parties		1,010	1,010
Loans receivables from third parties		9,486	9,486
Restricted cash		2,100,120	2,100,120
<b>Current financial assets</b>			
Securities (Other short-term financial assets)	277,833	0	277,833
Restricted Cash	0	3,062,290	3,062,290
Short-term receivables from related parties	0	846,049	846,049
Trade and other receivables	0	328,946	328,946
Loan receivable	0	342,963	342,963
Cash and cash equivalents	0	51,070,192	51,070,192
<b>Total financial assets</b>	<b>277,833</b>	<b>57,761,056</b>	<b>58,038,889</b>

The Restricted Cash relating to the payments that were deposited in escrow accounts by the customers purchasing premises in the projects of the Cordia Group amounted to HUF 271,496 thousand as at 31 December 2019.

### For the year ended 31 December 2019

<i>In thousands of Hungarian Forints (HUF)</i>	<b>Financial liabilities at amortized cost</b>	<b>Total</b>
<b>Non-current financial liabilities</b>		
Loans and borrowings	14,108,026	14,108,026
Amount withheld for guarantees	2,393,654	2,393,654
Bond	44,421,137	44,421,137
Lease liabilities	632,638	632,638
<b>Total Non-current financial liabilities</b>	<b>61,555,455</b>	<b>61,555,455</b>
<b>Current financial liabilities</b>		
Trade and other payables	10,314,925	10,314,925
Loans and borrowings	11,506,888	11,506,888
Short-term liabilities to related parties	542,695	542,695
Bond	68,892	68,892
Lease liabilities	2,328,719	2,328,719
<b>Total Current financial liabilities</b>	<b>24,762,119</b>	<b>24,762,119</b>
<b>Total financial liabilities</b>	<b>86,317,574</b>	<b>86,317,574</b>

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**For the year ended 31 December 2018  
as restated:**

<i>n thousands of Hungarian Forints (HUF)</i>	<b>Financial assets at FV through P/L</b>	<b>Financial assets at amortized cost</b>	<b>Total</b>
<b>Non-current financial assets</b>			
Long-term receivables from related parties	0	1,150,746	<b>1,150,746</b>
Loans receivables from third parties	0	8,426	<b>8,426</b>
Restricted Cash	0	3,719,146	<b>3,719,146</b>
<b>Current financial assets</b>			
Securities	29,553	0	<b>29,553</b>
Restricted Cash	0	240,281	<b>240,281</b>
Short-term receivables from related parties	0	4,359,861	<b>4,359,861</b>
Trade and other receivables	0	192,521	<b>192,521</b>
Cash and cash equivalents	0	19,440,344	<b>19,440,344</b>
<b>Total financial assets</b>	<b>29,553</b>	<b>29,111,325</b>	<b>29,140,878</b>

**For the year ended 31 December 2018 as restated:**

<i>In thousands of Hungarian Forints (HUF)</i>	<b>Financial liabilities at amortized cost</b>	<b>Total</b>
<b>Non-current financial liabilities</b>		
Loans and borrowings	4,829,609	4,829,609
Long-term liabilities to related parties	2,691,668	2,691,668
Amount withheld for guarantees	1,733,237	1,733,237
<b>Current financial liabilities</b>		
Trade and other payables	4,671,734	4,671,734
Loans and borrowings	5,239,689	5,239,689
Short-term liabilities to related parties	4,862,043	4,862,043
<b>Total financial liabilities</b>	<b>24,027,980</b>	<b>24,027,980</b>

### 16.(a) Receivables from related parties

The table below presents the breakdown of receivables from the related parties:

<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2019</b>	<b>31.12.2018</b>
Trade receivables	137,501	36,448
Loan receivables	0	4,343,378
Accrued interest receivables	0	235,824
Accrued expenses	0	246,836
Accrued revenue	603,179	372,214
Other receivables	106,379	275,907
<b>Total closing balance</b>	<b>847,059</b>	<b>5,510,607</b>
<b>Closing balance includes:</b>		
Current assets	846,049	1,150,746
Non-current assets	1,010	4,359,861
<b>Total closing balance</b>	<b>847,059</b>	<b>5,510,607</b>

The table below presents the movement in loans granted to related parties:

<i>In thousands of Hungarian Forints (HUF)</i>	<b>2019</b>
<b>Opening balance</b>	<b>4,343,378</b>
Loans granted (short-term)	0
Loans granted (long-term)	0
Loans repaid	<b>4,343,378</b>
Impact of acquisition	0
Revaluation	0
Other	0
<b>Total closing balance</b>	<b>0</b>

<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2019</b>	<b>31.12.2018</b>
HUF	580,002	380,331
EUR	121,051	604,322
PLN	146,006	4,525,898
RON	0	56
<b>Total closing balance</b>	<b>847,059</b>	<b>5,510,607</b>

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The table below presents the conditions of the most significant related party loan agreements:

**As of 31 December 2019 The Group has not provided loan to related parties.**

**As of 31 December 2018**

*In thousands of Hungarian Forints (HUF)*

<b>Counterparty</b>	<b>Balance</b>	<b>Maturity</b>	<b>Interest rate</b>	<b>Currency</b>
Related Party	1 084 815	2022.12.31	EURIBOR 3M + 3,2%	EUR
Related Party	3 258 563	on demand	WIBOR 1M +3,0%	PLN

### **16.(b) Trade and other receivables**

The table below presents the breakdown of trade and other receivables:

<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2019</b>	<b>31.12.2018</b>
<b>Gross trade receivables</b>	214,966	87,029
Decreased by impairment	(4,940)	(6,950)
<b>Net trade receivables</b>	<b>210,026</b>	<b>80,079</b>
Vendor overpayment	0	37,357
Accrued revenue	66,788	150
Other receivables	52,132	73,935
<b>Total trade and other receivables</b>	<b>328,946</b>	<b>191,521</b>

### **Classification as trade and other receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as noncurrent assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. The group's impairment and other accounting policies for trade and other receivables are outlined in different notes respectively.

'Decrease/(increase) in trade and other receivables' from cash-flow statement perspective also includes the variance of restricted cash balance sheet line.

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## Other receivables

These amounts generally arise from transactions outside the usual operating activities of the group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained. The non-current other receivables are due and payable within three years from the end of the reporting period.

The following tables presents the maturity of trade receivables:

<i>In thousands of Hungarian Forints (HUF)</i>		<b>31.12.2019</b>
<b>Trade receivables</b>		
Overdue	Not	210,026
	1-30 days	
	31-90 days	
	91-364 days	
	365+ day	4,940
<b>Total closing balance</b>		<b>214,966</b>

<i>In thousands of Hungarian Forints (HUF)</i>		<b>31.12.2018</b>
<b>Trade receivables</b>		
Overdue	Not	80,079
	1-30 days	0
	31-90 days	0
	91-364 days	0
	365+ day	6,950
<b>Total closing balance</b>		<b>87,029</b>

<b>As at 31 December</b>		
<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2019</b>	<b>31.12.2018</b>
Opening	6,950	0
Impairment loss	0	6,950
Reversal of impairment	1,638	0
<b>Closing impairment balance</b>	<b>8,588</b>	<b>6,950</b>

<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2019</b>	<b>31.12.2018</b>
HUF	175,985	140,872
EUR	26,425	11,642
PLN	49,652	38,360
RON	76,884	647
<b>Total closing balance</b>	<b>328,946</b>	<b>191,521</b>

### 16.(c) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, short-term deposits, highly liquid short-term Hungarian government bonds freely available for the Group and customer advances (restricted cash) available for project financing. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits have a duration varying between one day and three months depending on the immediate cash requirements of the Group. As at 31 December 2019 and 31 December 2018, they earn interest at the respective short-term deposit rates.

<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2019</b>	<b>31.12.2018 as restated</b>
Cash at bank and in hand	28,319,935	12,289,550
Short-term bank deposit	10,000,000	0
2-month discount treasury bill	2,299,968	0
Restricted cash	10,450,289	7,150,794
<b>Total cash and cash equivalents</b>	<b>51,070,192</b>	<b>19,440,344</b>

<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2018 As previously presented</b>	<b>Change</b>	<b>31.12.2018 Restated</b>
Cash at bank and in hand	12,289,550		12,289,550
Restricted cash	0	7,150,794	7,150,794
<b>Total cash and cash equivalents</b>	<b>12,289,550</b>	<b>7,150,794</b>	<b>19,440,344</b>

The Company made bank deposit which had a maturity of one week.

The Company purchased 2 month discount treasury bills which were sold on the 2<sup>nd</sup> of January 2020. Treasury bills have an active and liquid market.

The total amount of cash and cash equivalents was denominated in the following currencies:

<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2019</b>	<b>31.12.2018</b>
EUR	2,677,768	1,630,604
USD	0	4,898
PLN	2,810,885	2,590,243
HUF	45,465,384	15,205,368
RON	115,236	9,231
Other	919	0
<b>Total cash and cash equivalents</b>	<b>51,070,192</b>	<b>19,440,344</b>



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The Group minimizes its credit risks by holding its funds in financial institutions with high credit ratings as follows\*:

<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2019</b>	<b>31.12.2018</b>
A	11,081,235	4,982,613
A-	17,739,125	1,101,760
AA-	4,119,015	436,822
BBB+	11,616,661	7,564,695
BBB	2,023,625	1,063,601
BBB-	1,022,867	2,010,981
BB+	0	2,255,312
BB	106,864	0
A2	832,259	0
Cash at hand	121,990	24,560
N/A	2,406,551	0
<b>Total cash and cash equivalents</b>	<b>51,070,192</b>	<b>19,440,344</b>

\*The presented credit ratings are based on S&P's and Moody's long-term ratings where available.

For information about the fair value of cash and cash equivalents see Note 17.

There is no pledge over cash and cash equivalents see.

#### **16.(d) Loans and borrowings**

The table below presents the movement in loans and borrowings from third parties:

For the year ended 31 December		2019
<i>In thousands of Hungarian Forints (HUF)</i>		
<b>Opening balance</b>		<b>10,069,298</b>
Acquisitions		0
New bank loan drawdown		22,694,512
Loan repayments		(4,078,605)
Other changing (FX, other)		(3,070,291)
<b>Total closing balance</b>		<b>25,614,914</b>
	<b>31.12.2019</b>	<b>31.12.2018</b>
<b>Closing balance includes:</b>		
Current liabilities	11,506,888	5,239,689
Non-current liabilities	14,108,026	4,829,609
<b>Total closing balance</b>	<b>25,614,914</b>	<b>10,069,298</b>
<i>In thousands of Hungarian Forints (HUF)</i>		
	<b>31.12.2019</b>	<b>31.12.2018</b>
HUF	23,425,487	7,668,640
EUR	0	669,315
PLN	2,189,427	1,731,343
<b>Total closing balance</b>	<b>25,614,914</b>	<b>10,069,298</b>

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**Conditions of significant loans and borrowings:**

Legal entity	Bank	Loan Type	Maturity	currency	Loan facility	Withdrawn loan amount in THUF	Interest rate base
Cordia Global 8 Ingatlanfejlesztési Részalap	OTP Bank Nyrt.	Construction loan	2020.03.30	HUF	5,700,000,000	1,951,339	BUBOR 1M+margin
Cordia Global 8 Ingatlanfejlesztési Részalap	OTP Bank Nyrt.	VAT loan	2020.03.30	HUF	200,000,000	0	BUBOR 1M+margin
Cordia Global 7 Ingatlanfejlesztési Részalap	OTP Bank Nyrt.	Construction loan	2020.03.30	HUF	2,000,000,000	1,434,068	BUBOR 1M+margin
Cordia Global 3 Ingatlanfejlesztési Részalap	Takarék Kereskedelmi Bank Zrt.	Construction loan	2020.03.16	HUF	2,600,000,000	1,930,539	BUBOR 1M+margin
Cordia Global 3 Ingatlanfejlesztési Részalap	Takarék Kereskedelmi Bank Zrt.	VAT loan	2020.03.16	HUF	100,000,000	4,160	BUBOR 1M+margin
Cordia Global 3 Ingatlanfejlesztési Részalap	Takarék Kereskedelmi Bank Zrt.	Construction loan	2020.03.16	HUF	4,730,000,000	3,075,112	BUBOR 1M+margin
Cordia Global 3 Ingatlanfejlesztési Részalap	Takarék Kereskedelmi Bank Zrt.	VAT loan	2020.03.16	HUF	100,000,000	48,285	BUBOR 1M+margin
Cordia Global 5 Ingatlanfejlesztési Részalap	Takarék Kereskedelmi Bank Zrt.	Construction loan	2020.11.26	HUF	3,030,000,000	1,022,580	BUBOR 1M+margin
Cordia Global 5 Ingatlanfejlesztési Részalap	Takarék Kereskedelmi Bank Zrt.	VAT loan	2020.11.26	HUF	100,000,000	15,406	BUBOR 1M+margin
Cordia Global 11 Ingatlanfejlesztési Részalap	Takarék Kereskedelmi Bank Zrt.	Construction loan	2021.10.26	HUF	5,335,000,000	1,124,130	BUBOR 1M+margin
Cordia Global 11 Ingatlanfejlesztési Részalap	Takarék Kereskedelmi Bank Zrt.	VAT loan	2021.10.26	HUF	100,000,000	57,660	BUBOR 1M+margin
Cordia Development 2 Ingatlanfejlesztési Részalap	Takarék Kereskedelmi Bank Zrt.	Construction loan	2020.10.08	HUF	5,620,000,000	4,206,592	BUBOR 1M+margin
Cordia Development 2 Ingatlanfejlesztési Részalap	Takarék Kereskedelmi Bank Zrt.	VAT loan	2020.10.08	HUF	100,000,000	70,506	BUBOR 1M+margin
Cordia Global 10 Ingatlanfejlesztési Részalap	Sberbank Magyarország Zrt.	Construction loan	2022.03.25	HUF	1,300,000,000	885,740	BUBOR 1M+margin
Cordia Global 18 Ingatlanfejlesztési Részalap	OTP Bank Nyrt.	Construction loan	2021.12.31	HUF	7,260,000,000	1,856,540	BUBOR 1M+margin
Cordia Global 18 Ingatlanfejlesztési Részalap	OTP Bank Nyrt.	VAT loan	2021.12.31	HUF	200,000,000	54,752	BUBOR 1M+margin
Cordia Global 17 Ingatlanfejlesztési Részalap	Takarék Kereskedelmi Bank Zrt.	Construction loan	2022.04.02	HUF	5,580,000,000	1,867,629	BUBOR 1M+margin
Cordia Global 17 Ingatlanfejlesztési Részalap	Takarék Kereskedelmi Bank Zrt.	VAT loan	2022.04.02	HUF	100,000,000	69,316	BUBOR 1M+margin
Cordia Global 9 Ingatlanfejlesztési Részalap	KERESKEDELMI ÉS HITELbank ZRT.	Construction loan	2021.09.30	HUF	2,700,000,000	475,588	BUBOR 1M+margin
Cordia Global 9 Ingatlanfejlesztési Részalap	KERESKEDELMI ÉS HITELbank ZRT.	VAT loan	2021.09.30	HUF	150,000,000	778	BUBOR 1M+margin
Cordia Global 12 Ingatlanfejlesztési Részalap	KERESKEDELMI ÉS HITELbank ZRT.	Construction loan	2021.09.30	HUF	7,500,000,000	3,254,650	BUBOR 1M+margin
Cordia Global 12 Ingatlanfejlesztési Részalap	KERESKEDELMI ÉS HITELbank ZRT.	VAT loan	2021.09.30	HUF	150,000,000	18,738	BUBOR 1M+margin
Projekt Krakow 1	PKO Bank Polski	Construction loan	2021.08.31	PLN	24,800,000	370,964	WIBOR 3M+margin
Projekt Krakow 1	PKO Bank Polski	VAT loan	2021.08.31	PLN	1,000,000	35,315	WIBOR 3M+margin
Projekt Warszawa 1	Santander Bank Polaks SA	Construction loan	2022.06.19	PLN	46,901,525	1,780,823	WIBOR 1M+margin
Projekt Warszawa 2 Cordia Partner 3 Sp. z o.o. Sp.k.	PKO Bank Polski	Construction loan	2022.06.30	PLN	61,725,000	0	WIBOR 3M+margin
Projekt Warszawa 2 Cordia Partner 3 Sp. z o.o. Sp.k.	PKO Bank Polski	VAT loan	2022.06.30	PLN	3,000,000	0	WIBOR 3M+margin
<b>Total excluding JV</b>						<b>25,611,210</b>	
Cordia Global 6 Ingatlanfejlesztési Részalap	OTP Bank Nyrt.	Construction loan	2021.09.30	HUF	10,230,720,000	3,287,026	BUBOR 1M+margin
Cordia Global 6 Ingatlanfejlesztési Részalap	OTP Bank Nyrt.	VAT loan	2021.09.30	HUF	400,000,000	53,847	BUBOR 1M+margin
<b>Total including JV</b>						<b>28,952,083</b>	

No bank covenants were breached. The bank loans are secured by real estate property mortgages.

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	Bank	Loan currency	Maturity	Interest %	31.12.2018  Withdrawn	Real estate property mortgage	Covenant breached?
Cordia Development 2 Fund	Takarék Bank	HUF	2020.10.08	1 month BUBOR + margin	1,152,186	Yes	NO
Cordia Development 2 Fund	Takarék Bank	HUF	2020.10.08	1 month BUBOR + margin	50,114		
Cordia Global 3 Fund	Takarék Bank	HUF	2019.,12.21	1 month BUBOR + margin	2,006,176	Yes	NO
Cordia Global 3 Fund	Takarék Bank	HUF	2019.12.21	1 month BUBOR + margin	33,863		
Cordia Global 4 Fund	Unicredit	HUF	2020.05.29	3 month BUBOR + margin	2,246,007	Yes	NO
Cordia Global 4 Fund	Unicredit	HUF	2020.05.29	3 month BUBOR + margin	231,819		
Cordia Global 5 Fund	Takarék Bank	HUF	2020.11.26	1 month BUBOR + margin	211,414	Yes	NO
Cordia Global 5 Fund	Takarék Bank	HUF	2020.11.26	1 month BUBOR + margin	2,394		
Cordia Global 7 Fund	OTP Bank	HUF	2020.03.20	1 month BUBOR + margin	422,116	Yes	NO
Cordia Global 8 Fund	OTP Bank	HUF	2020.03.20	1 month BUBOR + margin	1,312,550	Yes	NO
Cordia Global 8 Fund	OTP Bank	HUF	2020.03.20	1 month BUBOR + margin	0	Yes	NO
Sasad Resort 2	Hungarian Real Estate Financing Zrt	EUR	2019.06.30	1 month BUBOR + margin	669,315	Yes	NO

Loans related to the Polish entities:

As of 31 December 2018

Company	Bank	Currency	Withdrawn	Maturity	Interest rate	Collateral on property?	Covenant breached?
Cordia Supernova Sp. z o.o.	Alior Bank S.A.	PLN	69,955	2020-04-30 for construction facility ; 2019-12-31 for VAT loan	WIBOR 3M + margin	Yes	No
Projekt Warszawa 1 Cordia Poland GP One Sp. z o.o. Sp. k.	Santander Bank Polska S.A.	PLN	1,661,388	2020-12-19 for Phase I Tranche; 2022-06-19 for Phase II Tranche; 2020-12-19 for VAT loan; 2022-06-19 for VAT loan if Phase II Tranche is paid out	WIBOR 1M + margin	Yes	No

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**16.(e) Liabilities to related parties**

The table below presents the breakdown of liabilities to the related parties:

<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2019</b>	<b>31.12.2018</b>
Trade payables	264,349	0
Loan	51,820	7,028,529
Accrued expenses payables	226,526	525,182
Other liabilities	0	0
<b>Total closing balance</b>	<b>542,695</b>	<b>7,553,711</b>
<b>Closing balance includes:</b>		
Current liabilities	542,695	3,124,653
Non-current liabilities	0	4,429,058
<b>Total closing balance</b>	<b>542,695</b>	<b>7,553,711</b>

The table below presents the movement in loans and borrowings:

<i>In thousands of Hungarian Forints (HUF)</i>	<b>2019</b>
<b>Opening balance</b>	<b>7,028,529</b>
New loan drawdown	51,820
Loan repayments	<b>7,028,529</b>
Other changing (revaluation, other correction)	0
<b>Total closing balance</b>	<b>51,820</b>

The tables below present the most important conditions of the significant related party loans of the Group:

<b>31.12.2019</b>				
<b>Entity</b>	<b>Counterparty</b>	<b>Balance (in THUF)</b>	<b>Maturity</b>	<b>Currency</b>
MT entity	Related Party	51,820	Current	EUR
<b>Total</b>		<b>51,820</b>		

<b>31.12.2018</b>				
<b>Entity</b>	<b>Counterparty</b>	<b>Balance (in THUF)</b>	<b>Maturity</b>	<b>Currency</b>
HU entity	Related Party	2,660,497	Current	EUR
PO Entity	Related Party	4,368,032	Non-Current	EUR
<b>Total</b>		<b>7,028,529</b>		

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<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2019</b>	<b>31.12.2018</b>
HUF	316,169	1,354,907
EUR	226,526	6,183,412
PLN	0	12,286
RON	0	3,106
<b>Total closing balance</b>	<b>542,695</b>	<b>7,553,711</b>

#### **16.(f) Trade and other payables**

The table below presents the breakdown of trade and other payables:

<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2019</b>	<b>31.12.2018</b>
Trade payables	9,955,599	3,976,604
Accrued expenses	187,217	112,783
Other payables	172,109	382,520
<b>Closing balance</b>	<b>10,314,925</b>	<b>4,471,907</b>

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2019</b>	<b>31.12.2018</b>
HUF	7,421,751	3,163,959
EUR	139,437	71,091
PLN	2,159,543	797,778
RON	591,631	438,573
GBP	2,563	506
<b>Total closing balance</b>	<b>10,314,925</b>	<b>4,471,907</b>

#### **16.(g) Amount withheld for guarantees**

As of 31 December 2019, the Group presents separately the amounts withheld for guarantees in its statement of financial position. Please refer to Note 23 for the impact on change in presentation.

Amounts withheld for guarantees is the contractual amount that the Group withholds from the vendor's final invoice at the time of delivery. The remaining amount serves as a security for the Cordia Group's warranty rights. At the end of the warranty period, the remaining amount is paid to the contractor, provided that it has not been used up previously to cover the warranty claims of the developer due to non-contractual delivery. Amounts, where the expected payment date is after the balance sheet date by more 1 year are presented among non-current liabilities. The Group believes, that – since the payment date is generally within 2 years – the impact of discounting would be wholly immaterial, therefore presents these balances using the contractual amounts.

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## 16.(h) Bonds

The table below presents the movement in bond related liabilities:

<i>In thousands of Hungarian Forints (HUF)</i>	<b>2019</b>	<b>2018</b>
Cash received	44,402,643	0
Bond face value	44,000,000	0
Gain on Bond issuance	402,643	0
Premium on Bond issuance	2,881,809	0
Capitalized cost of Bond issuance	166,570	0
Fair Value of Bond related liabilities	41,354,264	0
Effective interest of Bonds for FY2019	314,679	0
Amortized Bond liability at 2019YE	41,668,943	0
Premium amortization	71,030	0
Liability recorded for premium at 2019YE	2,810,778	0
Other	10,308	0
Amortized cost of Bond related liabilities at YE	44,490,029	0
<b>Total closing balance</b>	<b>44,490,029</b>	<b>0</b>
	<b>31.12.2019</b>	<b>31.12.2018</b>
<b>Closing balance includes:</b>		
Current liabilities	68,892	0
Non-current liabilities	44,421,137	0
<b>Total closing balance</b>	<b>44,490,029</b>	<b>0</b>

<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2019</b>	<b>31.12.2018</b>
HUF	44,490,029	0
EUR	0	0
PLN	0	0
<b>Total closing balance</b>	<b>44,490,029</b>	<b>0</b>

The Group has carried out a successful bond issue on 5 November (Cordia 2026/I). The financial settlement date is 7 November 2019, the maturity is 7 November 2026. The offered volume was HUF 40 billion at face value which attracted HUF 53.55 billion in bids. The amount of funds raised is HUF 44.4 billion.

The National Bank of Hungary (MNB) launched its corporate bond program (NKP) in July 2019, under which it is buying bonds issued by Hungarian corporations with a rating of at least B+ for up to HUF 300 billion. Scope Ratings assigned ratings to several participating companies and added Cordia International Zrt. to this list in September. Scope Ratings assigned a first-time issuer rating of BB to Cordia, with a Stable Outlook. Senior unsecured debt is rated BB, which is two notches higher than the minimum requirement set by the MNB.

The fair value of bond liability was determined by reference to the average bid of commercial institutions which is considered as a level 1 information in the fair value hierarchy.

Bonds are initially recognised at fair value, net of transaction costs incurred then subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Based on IAS 23 the effective interest of HUF 118,946 thousand was capitalized on qualifying assets.

**Bond terms and conditions:**

**Coupon:**

Each Bond bears a coupon of 4.00 % per annum, with semi-annual coupon payments on the Amortized Face Value and payable on the Coupon Payment Date.

The term of the Bonds is a seven-year period commencing on the Issue Date and ending on 7 November 2026 (the "Maturity Date").

**Coupon Payment Date:**

The first coupon payment date shall be 7 May 2020, and then any subsequent coupon payment date shall be 7 May and 7 November in each year during the term of the Bonds, except for the last coupon payment date which shall be the Maturity Date (the "Coupon Payment Date").

**Amortisation, Redemption and Purchases:**

Each Bond shall be repaid by the Issuer at HUF 8,333,333 (per Bond) and payable semi-annually on the last five (5) Coupon Payment Dates, being 7 May 2024, 7 November 2024, 7 May 2025, 7 November 2025 and on 7 May 2026 and at HUF 8,333,335 as the Final Redemption Amount due and payable on 7 November 2026, being the last Coupon Payment Date, which is also the Maturity Date.

**Issuer undertakings:**

No Shareholder Distributions and no New Acquisition shall be made in case any of the following conditions are not met, calculated on the basis of the most recently published financial statements of the Issuer:

- (i) the Consolidated Leverage Ratio does not exceed 65 %, and
- (ii) the Issuer Net Debt to Equity Ratio does not exceed 1.

**(i) The Consolidated Leverage Ratio (tested on the basis of the Group Consolidated Financial Statements)**

Consolidated Leverage Ratio = (Net Consolidated Debt) / (Total Consolidated Assets net of Cash & Customer Advances)

Net Consolidated Debt = CD - C - RC

Total Consolidated Assets net of Cash & Customer Advances = TA - CA - C - RC

**CD** = Consolidated Debt meaning the third party loans and borrowings of Cordia Group, including bank loans and bonds, plus provisions related to obligations by reason of any guarantee, suretyship or other liability agreement for such obligations of third parties (that are not fully or partially owned by any member(s) of Cordia Group), but not including any debt that is subordinated to the Bonds;

**C** = Cash and Cash Equivalents;

**RC** = Restricted Cash meaning

- (i) restricted cash deposited by customers purchasing premises in the projects of the Cordia Group, plus
- (ii) restricted cash (other than the cash under point (i) above) deposited in order to secure part of the Consolidated Debt;

**TA** = Total Assets meaning the consolidated total assets of Cordia Group less (i) right to use assets (IFRS 16) and (ii) deferred tax assets;

**CA** = Customer Advances meaning the total amount of the advances received by Cordia Group from customers with respect to sale of assets, which have not yet been recognized as revenues.

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<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2019</b>
Consolidated Debt (CD)	70,207,094
Cash and Cash Equivalents (C)	51,070,192
Restricted cash (RC)	271,496
<b>Net Consolidated Debt</b>	<b>18,865,406</b>
 Total Assets (TA)	 181,570,651
Customer Advances (CA)	40,810,106
Cash and cash equivalents (C)	51,070,192
Restricted cash (RC)	271,496
<b>Total Consolidated Assets net of Cash &amp; Customer Advances</b>	<b>89,418,857</b>
<b>Consolidated Leverage Ratio</b>	<b>21.1%</b>

Consolidated Leverage Ratio at 31 December 2019 is 21.1%

**As at 31 December 2019 the Bond related Issuer Undertakings were fulfilled.**

As of 31 December 2018 there were no such undertakings committed by the Issuer.

**(ii.) The Issuer Net Debt to Equity Ratio (tested on the basis of the Company's Separate Financial Statement)**

Issuer Net Debt to Equity Ratio = (Net Issuer Debt) / (Issuer Equity)

**Issuer Debt** means the loans and borrowings of the Issuer from entities outside of Cordia Group, including bank loans and bonds, plus provisions related to obligations by reason of any guarantee, suretyship or other liability agreement for such obligations of third parties (that are not fully or partially owned by members of the Cordia Group), but not including any debt that is subordinated to the Bonds.

Subordinated Shareholder Loans means the debt incurred by the Issuer from the Controlling Shareholder or its Related Parties that are fully subordinated to the Bonds.

**Issuer Equity** means the total equity of the Issuer (as evidenced on the stand-alone financial statements of the Issuer), plus Subordinated Shareholder Loans;

**Issuer Net Debt** means Issuer Debt (as evidenced on the stand-alone financial statements of the Issuer) less (i) Cash and Cash Equivalents of the Issuer and (ii) Special Restricted Cash;

**Special Restricted Cash** means the restricted cash securing the Issuer Debt.

**Cash and Cash Equivalents** means the cash and cash equivalents of the Issuer.



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<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2019</b>
Share capital	9,897,492
Share premium	8,690,521
Retained earnings	34,347,479
<b>Issuer Equity</b>	<b>52,935,492</b>

<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2019</b>
Bank Loans	0
Bonds (non-current)	44,421,137
Bonds (current)	68,891
Provision	0
<b>Issuer Debt</b>	<b>44,490,028</b>

<b>Cash and Cash Equivalents</b>	<b>16,043,682</b>
<b>Special Restricted Cash</b>	<b>0</b>

<b>Issuer Net Debt</b>	<b>28,446,346</b>
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<b>Issuer Net Debt to Equity Ratio</b>	<b>0.54</b>
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**As at 31 December 2019 the Bond related Issuer Undertakings were fulfilled.**

As of 31 December 2018 there were no Undertakings required from the Issuer.

<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>01.01.2018</b>
HUF	44,490,028	-	-
<b>Total bonds</b>	<b>44,490,028</b>	<b>-</b>	<b>-</b>

## 17. Shareholders' equity

### 17.(a) Share capital

The parent company's share capital is EUR 32,000,000 (9,897,492 thousands HUF) consisting of ordinary shares with nominal value of EUR 1 in the number of 32,000,000. All shares are fully paid. Ordinary shares provide the rights to the holders on a pro-rata basis.

Company	31.12.2019			
	Nominal value of shares (THUF)	Ownership percentage	Nominal value of shares (THUF)	Ownership percentage
QED Investments Ltd	9,897,492	100.00%	9,897,492	100.00%
<b>Total</b>	<b>9,897,492</b>	<b>100.00%</b>	<b>9,897,492</b>	<b>100.00%</b>

Company	31.12.2018			
	Nominal value of shares (THUF)	Ownership percentage	Nominal value of shares (THUF)	Ownership percentage
Sparks Limited	9,252,912	100.00%	9,252,912	100.00%
<b>Total</b>	<b>9,252,912</b>	<b>100.00%</b>	<b>9,252,912</b>	<b>100.00%</b>

### 17.(b) Share premium

<i>In thousands of Hungarian Forints (HUF)</i>		2019
<b>Opening balance</b>		<b>592,166</b>
Proceeds from capital increase		8,098,355
<b>Closing balance</b>		<b>8,690,521</b>

The new direct shareholder of the Company, QED Investments Limited, following purchase of 100% of the Company from Sparks Ltd. (May 2019), decided about capital increase of the Company. Out of total EUR 27m, EUR 2m was declared as new share capital, while EUR 25m have been contributed to the Company as share premium. All contributions were declared in May 2019 and were fully paid until end of 2019.

### 17.(c) Other reserves

<i>In thousands of Hungarian Forints (HUF)</i>		2019
<b>Opening balance</b>		<b>(234,382)</b>
Other capital contribution		(52,298)
<b>Closing balance</b>		<b>(286,680)</b>

The effect of the acquisitions accounted for using the predecessor method is recorded in other reserves. Please refer to Note 2 (a) for the details about current year's transactions.

## **17.(d) Retained earnings**

<i>In thousands of Hungarian Forints (HUF)</i>	<b>2019</b>
<b>Opening balance</b>	<b>7,117,547</b>
Profit of the year	7,453,022
Redemption of non-controlling interests	441,274
<b>Closing balance</b>	<b>15,011,843</b>

From the amount above THUF 441,274 is recorded as of 31 December 2019 (THUF 0 as of 31 December 2018) due to settlement with non-controlling parties of Finext Funds One SICAV-SIF. Please also refer to Note 2(c) for details.

## **18. Fair value estimation of financial assets and liabilities**

The solely financial asset that is measured at fair value through profit or loss in the consolidated financial statements is another investment, that is not material in neither reporting period (the fair value of the listed investment is HUF 258,092 thousands at 2019 year-end and was HUF 29,553 thousands in 2018 respectively). All other financial assets and liabilities are measured at amortized cost.. Furthermore, there are no non-financial assets or liabilities that are measured at fair value.

The fair value of the financial assets and liabilities measured at amortized cost approximates their carrying value, as they are loans and receivables either with variable interest rate (e.g. in case of borrowings) or short-term receivables and liabilities, where the time value of money is not material (e.g. in case of related party loans).

The fair value of bond liability was determined by reference to the average bid of commercial institutions which is considered as a level 1 information in the fair value hierarchy.

Each Bond bears a coupon of 4.00 % per annum.

## 19. Commitments and contingencies

### Investment commitments:

The amounts in the table below present uncharged investment commitments of the Group in respect of construction services to be rendered by the general contractors:

<i>In thousands of Hungarian Forints (HUF)</i>	<b>Project name</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Cordia Development 1. Development Fund	Corvin Átrium	0	119,489
Cordia Development 2. Development Fund	Thermal Zugló 2	0	18,414
Cordia Development 2. Development Fund	Thermal Zugló 3	1,487,768	2,792,538
Cordia Global 1. Development Subfund	Kapás 21	0	0
Cordia Global 2. Development Subfund	Corvin Átrium 2	0	228,970
Cordia Global 3. Development Subfund	Young City	0	519,005
Cordia Global 3. Development Subfund	Young City 2	1,221,385	2,574,529
Cordia Global 4. Development Subfund	Rózsa55	0	682,971
Cordia Global 5. Development Subfund	Grand'Or	1,203,964	4,466,720
Cordia Global 7. Development Subfund	Marina Garden	151,647	3,175,671
Cordia Global 8. Development Subfund	Sasad Resort Hill	132,059	1,194,080
Cordia Global 8. Development Subfund	Sasad Resort Sun	0	1,726,773
Cordia Global 9. Development Subfund	Centropolitan	1,842,943	6,005,825
Cordia Global 10. Development Subfund	Sasad Hilltop	2,680,487	1,313,702
Cordia Global 11. Development Subfund	Grand Corvin	1,859,910	3,716,726
Cordia Global 12. Development Subfund	Marina Portside	4,985,279	7,819,627
Cordia Global 13. Development Subfund	Universo	2,272,687	0
Cordia Global 17. Development Subfund	Young City 3	3,207,031	225,504
Cordia Global 18. Development Subfund	Akadémia Garden	4,318,705	7,200,000
Cordia Supernova Sp. Z o.o.	Supernova	0	579,129
Projekt Krakow 1	Lotniczówka	745,263	0
Projekt Warszawa 1	Zielone Bemowo 1	0	617,740
Projekt Warszawa 1	Zielone Bemowo 2	2,270,558	0
Projekt Warszawa 2 Cordia Partner 3 Sp. z o.o. Sp.k.	Horyzont Praga	3,413,607	0
Cordia Parcului Residential project SRL	Parcului20	2,872,227	0
<b>Total excluding JV</b>		<b>34,665,520</b>	<b>44,977,413</b>
Cordia Global 6. Development Subfund	Marina Life	2,262,760	9,477,390
Cordia Global 6. Development Subfund	Marina Life 2	3,572,100	540,318
<b>Total including JV</b>		<b>40,500,380</b>	<b>54,995,121</b>

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**Unutilized construction loans:**

The table below presents the list of the construction loan facilities including VAT loan facility, which the Company arranged for in conjunction with entering into loan agreements with the banks in order to secure financing of the construction and other outstanding costs of the ongoing projects. The amounts presented in the table below include the unutilized part of the bank loans available to the Company:

<i>In thousands of Hungarian Forints (HUF)</i>	<b>Project name</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Cordia Development 2. Development Fund	Thermal Zugló 2	0	3,512,712
Cordia Development 2. Development Fund	Thermal Zugló 3	1,442,902	49,886
Cordia Global 3. Development Subfund	Young City	95,840	3,639,967
Cordia Global 3. Development Subfund	Young City 2	1,706,603	166,137
Cordia Global 4. Development Subfund	Rózsa55	0	650,174
Cordia Global 5. Development Subfund	Grand'Or	2,092,014	2,733,692
Cordia Global 7. Development Subfund	Marina Garden	565,932	1,577,884
Cordia Global 8. Development Subfund	Sasad Resort Sun	3,948,661	3,642,408
Cordia Global 9. Development Subfund	Centropolitan	2,373,634	0
Cordia Global 10. Development Subfund	Sasad Hilltop	414,260	0
Cordia Global 11. Development Subfund	Grand Corvin	2,673,273	0
Cordia Global 12. Development Subfund	Marina Portside	4,376,611	0
Cordia Global 17. Development Subfund	Young City 3	3,743,055	0
Cordia Global 18. Development Subfund	Akadémia Garden	5,548,708	0
Projekt Warszawa 1	Zielone Bemowo 1	0	4,639,890
Projekt Warszawa 1	Zielone Bemowo 2	1,858,267	0
Cordia Supernova Sp. Z o.o.	Supernova	0	6,279,308
Projekt Krakow 1	Lotniczówka	1,595,544	0
Projekt Warszawa 2 Cordia Partner 3 Sp. z o.o. Sp.k.	Horyzont Praga	5,022,013	0
<b>Total excluding JV</b>		<b>37,457,317</b>	<b>26,892,058</b>
Cordia Global 6. Development Subfund	Marina Life	1,974,487	0
Cordia Global 6. Development Subfund	Marina Life 2	5,315,360	0
<b>Total including JV</b>		<b>44,747,164</b>	<b>26,892,058</b>

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**Contingent liabilities:**

The Group sold a commercial real estate in 2017. In the sales agreement the company made a commitment to keep the utilization rate above a certain level until April 2022 or pay compensation. Based on the best estimate the Group made a provision which has a balance of HUF 97,341 thousand at 31 December 2019 (0 as of 31 December 2018) which is expected to cover the upcoming compensations. The Group's Management is not aware of any other contingent liability.

**Contingent receivables - contracted sales not yet recognized:**

The table below presents amounts to be received from the customers having bought apartments from Cordia and its subsidiary companies and which are based on the value of the sale and purchase agreements signed with the clients until 31 December 2019 after deduction of payments received at reporting date (such payments being presented in the Consolidated Statement of Financial Position as customer advances):

<i>In thousands of Hungarian Forints (HUF)</i>		<b>Contracted sales</b>		<b>Contingent receivables</b>	
<b>Legal entity</b>	<b>Project name</b>	<b>31.12.2019</b>	<b>31.12.2019</b>	<b>31.12.2018</b>	
Cordia Development 1. DF	Corvin Átrium	0	0	3,596,340	
Cordia Development 2. DF	Thermal Zugló 2	0	0	906,721	
Cordia Development 2. DF	Thermal Zugló 3	7,544,794	4,991,242	3,720,859	
Cordia Global 1. DS	Kapás 21	336,086	264,913	2,082,483	
Cordia Global 10. DS	Sasad Hilltop	4,108,772	2,988,948	1,521,405	
Cordia Global 11. DS	Grand Corvin	7,792,339	4,356,892	5,155,482	
Cordia Global 12. DS	Marina Portside	5,950,804	4,462,496	3,031,060	
Cordia Global 17. DS	Young City 3	2,692,645	1,969,152	1,173,017	
Cordia Global 2. DS	Corvin Átrium 2	1,278,972	419,228	4,202,352	
Cordia Global 3. DS	Young City	4,445,049	3,100,414	3,073,001	
Cordia Global 3. DS	Young City 2	7,007,544	5,110,681	4,392,593	
Cordia Global 4. DS	Rózsa55	1,765,848	522,117	2,643,242	
Cordia Global 5. DS	Grand'Or	3,892,578	2,994,436	2,555,958	
Cordia Global 7. DS	Marina Garden	10,203,530	2,871,487	4,896,054	
Cordia Global 8. DS	Sasad Resort Hill	4,155,170	3,020,974	3,039,785	
Cordia Global 8. DS	Sasad Resort Sun	4,007,234	2,881,681	2,773,479	
Cordia Global 9. DS	Centropolitan	2,623,005	1,924,279	1,382,800	
Cordia Global 13. DS	Universo	3,341,043	661,536	0	
Cordia Global 18. DS	Akadémia Garden	5,017,073	3,722,851	2,005,988	
Cordia Global 19. DS	Grand Corvin 2	6,704,304	553,112	0	
Cordia Parcului Residential SRL	Parcului20	2,237,574	1,583,573	0	
Projekt Warszawa 1	Zielone Bemowo 1	643,016	125,218	1,271,685	
Projekt Warszawa 1	Zielone Bemowo 2	2,174,005	1,486,543	0	
Cordia Supernova Sp. Z o.o.	Supernova	317,974	251,560	1,536,889	
Projekt Warszawa 2	Horyzont Praga	392,300	353,070	0	
Projekt Kraków 1	Lotniczówka	1,061,921	578,998	0	
<b>Total excluding JV</b>		<b>89,693,580</b>	<b>51,195,401</b>	<b>54,961,193</b>	
Cordia Global 6. DS	Marina Life	6,528,251	4,790,559	3,400,102	
Cordia Global 6. DS	Marina Life 2	3,652,656	2,728,569	0	
<b>Total including JV</b>		<b>99,874,487</b>	<b>58,714,529</b>	<b>58,361,295</b>	

## 20. Related parties

### Parent company

Please refer to Note 16(e) about loan received from the parent company. Besides this, there were no transactions with the parent company.

For a list of subsidiaries reference is made to Note 2.

### The main related parties' transactions arise on:

#### (a) Property plant and equipment

<i>In thousands of Hungarian Forints (HUF)</i>	<b>as at 31 December 2019</b>	<b>as at 31 December 2018</b>
Sister company	48,893	42,799
<b>Closing balance</b>	<b>48,893</b>	<b>42,799</b>

Property, plant and equipment from related parties are mainly purchasing of office equipment.

#### (b) Semi-finished products and work in progress

<i>In thousands of Hungarian Forints (HUF)</i>	<b>as at 31 December 2019</b>	<b>as at 31 December 2018</b>
Sister company	0	528,665
<b>Closing balance</b>	<b>0</b>	<b>528,665</b>

Semi-finished products and work in progress from related parties are mainly land plot and related costs, predevelopment works, technical project management fee and design cost.

#### (c) Other balances

Please refer to Note 16 for detailed description about balances with related parties.

#### (d) Sales revenue

<i>In thousands of Hungarian Forints (HUF)</i>	<b>2019</b>	<b>2018</b>
Sister company	534,573	988,127
<b>Closing balance</b>	<b>534,573</b>	<b>988,127</b>

The Group has sold residential apartments to a related parties outside of the consolidation group. The transactions were at market price and had a total value of HUF 360,084 thousand.

Sales revenue from related parties is mainly coming from administration, marketing and management fee in the amount. In FY2018 it contained land plot assignor fee and its related costs in the amount of 700,322 THUF.

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**(e) Services rendered**

<i>In thousands of Hungarian Forints (HUF)</i>	<b>2019</b>	<b>2018</b>
Sister company	365,902	397,106
<b>Closing balance</b>	<b>365,902</b>	<b>397,106</b>

Services rendered from related parties are mainly utilities and rental costs, shared service center costs, recharged development costs, marketing and sales costs.

**(f) Other**

<i>In thousands of Hungarian Forints (HUF)</i>	<b>2019</b>	<b>2018</b>
Sister company	0	120,632
<b>Closing balance</b>	<b>0</b>	<b>120,632</b>

The row contains interest income.

**Transactions with key management personnel**

There was no transaction with key management personnel.

**Key Management Board personnel compensation**

Apart from the compensation listed below, there were no further benefits, including share based payments granted to key management personnel that were granted during 2018. Key management personnel compensation can be presented as follows:

<b>As at 31 December</b>	<b>2019</b>	<b>2018</b>
<i>In thousands of Hungarian Forints (HUF)</i>		
Salary and other short time benefit	70,755	24,993
Incentive plan linked to financial results	300,951	188,252
<b>Total</b>	<b>371,706</b>	<b>213,245</b>

**Loans to directors**

As at 31 December 2019 and 31 December 2018, there were no loans granted to directors.



## **21. Financial risk management, objectives and policies**

Financial risks are risks arising from financial instruments to which the Group is exposed during or at the end of the reporting period. Financial risk comprises market risk (including currency risk, interest rate risk, cash flow interest rate risk and other price risk), credit risk and liquidity risk.

The primary objectives of the financial risk management program are to minimize the potential negative effect of the unexpected changes on financial markets on the Group financial activities.

Risk management is carried out by a central treasury department (Group Treasury). Group Treasury identifies and evaluates financial risks in close co-operation with the Group's operating units.

### **(a) Market risk**

#### **(i) Foreign exchange risk**

The Group operates in foreign currencies too and therefore is exposed to foreign exchange risk, primarily with respect to Euro and Polish Zloty. Foreign exchange risk arises in respect of those recognized monetary financial assets and liabilities that are not in the functional currency of the respective Group entity.

Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency

The Company and each of its subsidiaries are exposed to currency risk arising from financial instruments held in currencies other than their individual functional currencies. In addition, the Group manages foreign currency risk by matching its principal cash outflows to the currency in which the principal cash inflows (such as residential sales revenue) are denominated. This is generally achieved by obtaining loan finance in the relevant currency.

The functional currency of the Company is the Hungarian forint and its subsidiaries have different functional currencies depending on the place of activity. The Company and each of its subsidiaries are exposed to currency risk arising from financial instruments held in currencies other than their individual functional currencies. At 31 December 2019 if the Hungarian forint weakened/strengthened by 5% against the euro the post-tax profit for the year would have been 126,577 THUF higher (31 December 2018: 63,326 THUF), which caused mainly by the exchange gain on trade receivables/payables and loans denominated in EUR.

#### **(ii) Price risk**

The Group has no significant exposure to price risk as it does not hold any equity securities or commodities.

The Group is exposed to price risk other than in respect of financial instruments, such as property price risk including property sales price risk.

The current sales price levels are in line with the market environments of the properties.

#### **(iii) Cash flow and fair value interest rate risks**

The group's cash-flow and fair value interest rate risk is predominantly controlled by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and mitigate financial risks in close co-operation with the group's operating units.

The Group's interest rate risk principally arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, which is partially covered by the variable rate cash and cash equivalents.

The Group has borrowings at fixed rates and therefore has exposure to fair value interest rate risk however this is considered insignificant. The Group issued Bonds which bears a coupon of 4.00 % per annum.

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The Group's individual development loans financing the projects have an average duration of less than two years, therefore the interest rate changes on these loans would not have material effect on the Group's result.

The management is constantly monitoring the Group's cash-flow forecasts which ensures to cover cash-flow risks.

Taking into consideration the current market environment the management expects no interest rate decrease, so only the effect of interest rate increase is shown in the following table:

<i>Interest rate increase:</i>	<b>Yearly effect on profit before tax (THUF)</b>
0,5 percentage point	<b>122,730</b>

Please also refer to Note 16(a), 16(d) and 16(e) for the main conditions of the loan agreements.

**(b) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash and cash equivalents held at banks, trade receivables and loan receivables. Credit is not material in case of cash, since it is held at major international banks. Trade receivables are not material. Loans are only granted for companies under common control and they are guaranteed by the parent company or the ultimate owner. Based on this, credit is considered to be minimal for the Group.

**(c) Liquidity risk**

The cash flow forecast is prepared by the operating units of the Group. The forecasts are summarized by the Group's finance department. The finance department monitors the rolling forecasts on the Group's required liquidity position in order to provide the necessary cash balance for the daily operation. The Group aims to maintain flexibility in funding by keeping committed credit lines available not to overdraw the credit lines and to meet the credit covenants. These forecasts take into consideration the Group's financial plans, the contracts' covenants, the key performance indicators and the legal environment.

	<b>As at 31 December 2019</b>		
<i>In thousands of Hungarian Forints (HUF)</i>	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>Beyond 5 years</b>
Loans and borrowings	11,506,888	14,108,026	0
Trade and other payables	10,314,925	0	0
Liabilities to related parties	542,695	0	
Bonds	1,762,424	21,738,021	30,620,784
Lease liabilities	2,328,719	632,638	0
Net assets attributable to non-controlling investment unit holders	0	17,514,452	0
<b>Total</b>	<b>26,455,651</b>	<b>53,993,137</b>	<b>30,620,784</b>

<i>In thousands of Hungarian Forints (HUF)</i>	As at 31 December 2018	
	Less than 1 year	Between 1 and 5 years
Loans and borrowings	5,239,689	4,829,609
Trade and other payables	4,471,907	1,870,338
Liabilities to related parties	3,124,653	4,429,058
Net assets attributable to non-controlling investment unit holders	0	16,286,632
<b>Total</b>	<b>12,836,249</b>	<b>27,415,637</b>

## 22. Capital management

When managing capital, it is the Group's objective to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the profit appropriation, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio and leverage.

Banking covenants vary according to each loan agreement, but typically are not related directly to the gearing ratio of the Company but to the proportion of loan to value of the mortgage collateral which usually is required not to cross the limit of 70% or 80%.

During the period the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

There were no changes in the Groups approach to capital management during the year.

There are no covenants imposed on the Group by the terms and conditions of the Bonds issued by the Group. For the relevant calculation of the financial ratios which relate to the Undertakings committed by the Group see note 16. (h)

## 23. Changes in presentation of consolidated statement of financial position

The Group is rapidly expanding its activities and management would like to reflect these changes and provide the most useful information for the readers of the financial information. Based on the recent analysis performed, in 2019 the Group changed the presentation of the consolidated statement of financial position by adding new lines for items, that became material. This change did not have any impact on the profit, equity or the total assets, but it provides a more detailed breakdown of balances on the face of the statement of financial position. In previous period, these breakdowns were available in the relevant notes.

The Group reconsidered the items classified as as other financial assets and reclassified it based on its nature either to restricted cash as a new balance sheet line or restricted cash as within cash equivalents.

The restricted cash classified as cash equivalent are related to cash received from customers as advance payment for financing the projects and the cash withdrawn from the project loan facilities. The banks providing loan financing have light restriction over these funds to secure their loan facility however the approval process to use these funds are considered perfunctory.

Cordia's model of operations assumes that instead of using payments received from customers directly to cover the development costs, majority of the cash received is deposited at accounts with restricted use as cash securing construction loans received. The banks allow however for full or partial the use of such funds, (sometimes subject to utilization fees) and these balances are presented as cash and cash equivalents in the financial information.

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The control over the use of the deposited sums is always with Cordia based upon the agreement between the respective bank and Cordia and such action of unlocking deposited cash can take place in due time after such decision of Cordia management, i.e. without any unnecessary delay (but in any case not later than within a few banking days). This means, that the cash, which is deposited in the accounts with some restrictions applicable, can be fully and immediately exploited by the subsidiaries in order to net with the pre-agreed financial liabilities (e.g. bank loans) as well as to finance the relevant costs of the projects co-financed by the customers buying apartments.

In line with IAS 8, Group considered this to be a change in accounting policy and applied it retrospectively. Since the change had no impact on the statement of comprehensive income, no additional balance is presented.

The table below summarizes the impact of the change in presentation on the statements of financial position as of 31 December 2018:

	<b>31 December 2018</b>		<b>31 December 2018</b>
<i>In thousands of Hungarian Forints (THUF)</i>	<b>As stated</b>	<b>Reclassification</b>	<b>Restated</b>
<b>Non-current assets</b>			
Other long-term financial assets	10,869,940	(10,869,940)	0
Restricted cash (new line)	n.a.	3,719,146	3,719,146
Long-term VAT receivable (new line)	n.a.	242,616	242,616
Other long-term assets	819,992	(242,616)	577,376
<b>Current assets</b>			
Other financial assets	269,834	(240,281)	29,553
Restricted cash (new line)	n.a.	240,281	240,281
Short-term VAT receivable (new line)	n.a.	3,057,847	3,057,847
Other tax receivables	3,057,847	(3,057,847)	0
Cash and cash equivalents	12,289,550	7,150,794	19,440,344
<b>Non-current liabilities</b>			
Amounts withheld for guarantees (new line)	n.a.	1,733,237	1,733,237
Other long-term liabilities	1,870,338	(1,733,237)	137,101

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The table below summarizes the impact of the change in presentation on the statements of cash-flow as of 31 December 2018:

<i>In thousands of Hungarian Forints (THUF)</i>	<b>31.Dec.18 As stated</b>	<b>Change due to reclassification</b>	<b>31.Dec.18 Restated</b>
Investing in long-term financial assets	-4,347,507	7,150,794	2,803,287
<b>Net cash from/(used in) investing activities</b>	<b>-5,133,049</b>	<b>7,150,794</b>	<b>2,017,745</b>
<b>Net change in cash and cash equivalents</b>	<b>2,318,297</b>	<b>7,150,794</b>	<b>9,469,091</b>
Cash and cash equivalents at beginning of the year	9,971,253	0	9,971,253
<b>Cash and cash equivalents at end of the year</b>	<b>12,289,550</b>	<b>7,150,794</b>	<b>19,440,344</b>

The table below summarizes the impact of the change in presentation on the statements of financial position as of 1 January 2018:

<i>In thousands of Hungarian Forints (THUF)</i>	<b>01 January 2018 As stated</b>	<b>Reclassification</b>	<b>01 January 2018 Restated</b>
<b>Non-current assets</b>			
Other long-term financial assets	5,483,415	(5,483,415)	0
Restricted cash (new line)	n.a.	5,483,415	5,483,415
Long-term VAT receivable (new line)	n.a.	1,505,296	1,505,296
Other long-term assets	1,859,010	(1,505,296)	353,714
<b>Current assets</b>			
Other financial assets	2,750,234	(2,720,115)	30,119
Restricted cash (new line)	n.a.	2,720,115	2,720,115
Short-term VAT receivable (new line)	n.a.	819,580	819,580
Other tax receivables	819,580	(819,580)	0
<b>Non-current liabilities</b>			
Amounts withheld for guarantees (new line)	n.a.	648,677	648,677
Other long-term liabilities	651,154	(648,677)	2,477

## **24. Subsequent events**

### **COVID -19:**

The Group reacted immediately and decisively to the threat related to COVID-19, ensuring continuity of operations with vast majority of staff working remotely by end of March, while March 13 was the home office trial day, and the official home office period started on March 16.

The Group's companies introduced online sales meetings and implemented procedures for remote signing of sales agreements with clients between March 16 and March 20, i.e. when the state of epidemic threat was announced in the markets of our operations (in Hungary, Poland and in Romania). Aside from online sales, the Group's sales offices continue to operate, obeying the safety measures recommended by the WHO and the relevant measures applicable locally and required by local regulators. Following the appropriate decisions and reorganization the apartments' deliveries and sales proceed without disruptions. It is important to highlight that until the date of this report all the Group's construction sites in all countries of the Group's operations are progressing normally.

The Company's key management is very experienced and operating the residential business for nearly 20 years – in Hungary but also in our other core markets. Running the business responsibly towards the Group customers, as well as towards bondholders investing in Cordia's bonds, the observed liquidity cushion resulted in as much as HUF 44.2 bn of cash in the Groups accounts as end of April 2020.

As of this report's date, forecasting the state of the economies in central and eastern European countries or the residential property market over the next few months is not possible.

The Group's management is however of the opinion of the following:

- a) In such a dynamic and uncertain environment, a strong balance sheet, very high liquidity and the experienced management will be the key factors significantly mitigating the effects of the forthcoming crisis. In the current situation the Group's companies across of all markets of our operations put special emphasis on prompt and transparent communication with clients and with our business partners, including our suppliers as well as our investors.
- b) Cordia Group is a market leader with a well-experienced management team which has successfully managed in many previous downturns in all the markets (especially in 2008-2009). The Group's management has good grounds to expect that the Group will once again emerge from this crisis with a strengthened market position.
- c) The Management considers COVID-19 outbreak to be a non-adjusting post balance sheet event.
- d) There is no risk for the Group to continue as a going concern. The management of the Group actually is of the opinion that the outbreak of COVID-19 may accelerate consolidation process in the industry, in which the companies with the strongest balance sheet and market experience can benefit playing an active role.

### **Acquisition of shares in Polnord and the Public offer**

The Company has successfully accomplished the acquisition of new shares issued by Polnord Spółka Akcyjna (a public listed company, well established and focused on the residential projects in Poland). Based on the share-purchase agreement executed in December 2019, the Company purchased 63,668,800 (sixty three million six hundred sixty eight thousand eight hundred) newly issued T-Series Shares representing 65.27% of the POLNORD's share capital and 65.27% of total voting rights (following the capital increase). The purchase price was PLN 2.12 per 1 share.

The registration court relevant for Polnord had registered the share capital increase related to issue of T-Series Shares on 10<sup>th</sup> of February 2020. As a result of the registration of the share capital increase, Cordia has completed the acquisition and became the leading shareholder of Polnord. In the same time the amount of PLN 135.0 million deposited by Cordia was released from the depositary account and was transferred to Polnord.

Pursuant to Polish law, i.e. Article 74.1. of the Act of 29 July 2005 on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies, and also fulfilling its obligation under Article 73.2.1 of the Act, on 14 February 2020, the Company announced a tender offer for the sale of the remaining approximately 34.34% of the shares in Polnord for the price per share of PLN 3.55 (the "Tender Offer"). Upon the

conclusion of the Tender Offer and in connection with the settlement thereof, on 9 April 2020, the Company purchased 26,595,374 shares in Polnord for the purchase price of PLN 3.55 per share. Therefore, the Company increased its stake in Polnord from 64,042,109 shares (approximately 65.66% of the share capital) prior to the settlement of the Tender Offer to 90,637,483 shares (approximately 92.92% of the share capital of Polnord).

The Company took over operational control over Polnord as of 10<sup>th</sup> of April, when Cordia representatives were authorised to represent also Polnord towards third parties. As of 24<sup>th</sup> of April 2020, the extraordinary meeting of shareholders of Polnord appointed – following instructions from the Company - new supervisory board members, which day after appointed also Cordia's representatives to the management board of Polnord.

### **Capital increase**

The Shareholders of the Company have unanimously voted for increasing the capital of the Company by HUF 12,001,129,600. The capital increase has taken place by issuing 7,431,040 pieces of ordinary shares of a par value of HUF 1,000 each, at an issue value of HUF 1,615/share with rights identical to the existing ordinary shares of the Company, thus the registered capital of the Company increases by HUF 7.431.040.000 equalling to HUF 18.013.760.000. The amount exceeding the sum of the registered capital of the Company will be accounted for capital reserve. As of date of this report, the shareholders have fully paid the new shares by injecting HUF 12,001,129,600 to the Company.

### **Share acquisition of Argo Properties N.V.**

The Board of Directors of the Company has duly resolved that European Residential Investment Vagyonkezelő Kft. a wholly owned subsidiary of the Company shall enter into a share sale and purchase agreement as Buyer with Futreal Holding B.V. as Seller in regard of the sale and purchase of 2,492,910 shares representing 20.6% ownership of ARGO Properties N.V. ("ARGO") Purchase price of the stock package is EUR 34,400,000. By this transaction the Company launches its new business line of residential leasing / residential investments. ARGO is a dynamically growing company buying residential leasing properties. ARGO currently owns properties at Berlin Leipzig, Dresden and Magdeburg.

### **Land acquisitions**

#### Meder project

CORDIA GLOBAL 27. Development subfund (Subsidiary of Cordia International Zrt.) as purchaser have entered into sales and purchase agreements on the subject of the acquisition of ownership of the plots ("Plots") located in Budapest, XIII. district among the territory of Meder street- Váci road - Újpest Bay. The total area of the Plots affected with the acquisition is 11.2 hectares approximately.

Projekt Kraków 2 Cordia Partner 2 Spółka z o.o. has entered into a project construction facility loan with Alior Bank S.A. in an amount of PLN 55.3 million dedicated to financing of the new project in Kraków at Jerozolimska Street, the maturity of the loan is September 30st, 2022.

## 25. Segment report

### Segment information

The Board of Directors is the Group's chief operating decision-maker body. The Group's operating segments are defined as separate entities developing particular residential projects, which for the reporting purposes were aggregated. The aggregation for reporting purpose is based on geographical locations.

The Board of Directors considers the business from a geographic perspective. Geographically, management considers the performance in Hungary, Poland, Spain and Romania. The segments derive their revenue primarily from the sales of residential properties to individual customers. According to the assessment of the Board of Directors, the operating segments identified have similar economic characteristics.

The Board of Directors monitors the budgeted and forecasted financial results of the operating segments for the purpose of making decisions about resource allocation and performance assessment.

### Revenue

Management believe, that revenue is currently not the most descriptive factor, since the projects are mostly in the development phase. There are no significant sales transactions between the segments. The revenue from external parties reported to the strategic steering committee is measured in a manner consistent with that in the income statement.

#### Year ended 31 December 2019

<i>In thousands of Hungarian Forints (HUF)</i>	<b>Total segment revenue</b>	<b>Inter-segment revenue</b>	<b>Revenue from external customers</b>
Hungary	25,532,234	0	25,532,234
Poland	8,941,993	0	8,941,993
Romania	4,168	0	4,168
Spain	0	0	0
Other	0	0	0
<b>Total</b>	<b>34,478,395</b>	<b>0</b>	<b>34,478,395</b>

#### Year ended 31 December 2018

<i>In thousands of Hungarian Forints (HUF)</i>	<b>Total segment revenue</b>	<b>Inter-segment revenue</b>	<b>Revenue from external customers</b>
Hungary	13,629,907	7,367	13,622,540
Poland	5,821,889	81,501	5,740,388
Romania	2,671	0	2,671
Other	0	0	0
<b>Total</b>	<b>19,454,467</b>	<b>88,868</b>	<b>19,365,599</b>



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**Gross profit**

**Year ended 31 December 2019**

<i>In thousands of Hungarian Forints (HUF)</i>	<b>2019</b>
Hungary	10,175,776
Poland	3,112,225
Romania	4,168
Spain	0
Other	0
<b>Total</b>	<b>13,292,169</b>

**Year ended 31 December 2018**

<i>In thousands of Hungarian Forints (HUF)</i>	<b>2018</b>
Hungary	5,752,657
Poland	1,594,951
Romania	2,608
Other	0
<b>Total</b>	<b>7,350,216</b>

**Net profit**

**Year ended 31 December 2019**

<i>In thousands of Hungarian Forints (HUF)</i>	<b>2019</b>
Hungary	6,484,183
Poland	664,449
Romania	(415,820)
Spain	(41,038)
Other	(258,527)
<b>Total</b>	<b>6,433,247</b>

**Year ended 31 December 2018**

<i>In thousands of Hungarian Forints (HUF)</i>	<b>2018</b>
Hungary	3,626,881
Poland	333,080
Romania	(75,916)
Other	(605,850)
<b>Total</b>	<b>3,278,195</b>

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**Assets as 31.12.2019**

<i>In thousands of Hungarian Forints (THUF)</i>	<b>Hungary</b>	<b>Poland</b>	<b>Romania</b>	<b>Spain</b>	<b>Other</b>
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets	155,000	38,688	3,213	0	4
Investment properties	0	0	0	0	0
Property, plant and equipment	1,023,928	542,349	59,637	0	0
Long-term receivables from third parties	9,486	0	0	0	0
Long-term receivables from related parties	0	1,010	0	0	0
Investments accounted for using equity method	1,177,459	0	0	0	0
Deferred tax assets	49,986	77,728	0	0	0
Restricted cash	2,100,120	0	0	0	0
Long-term VAT receivables	1,526,564	0	0	0	0
Other long-term assets	587,386	25,650	0	0	0
<b>Total non-current assets</b>	<b>6,629,929</b>	<b>685,425</b>	<b>62,850</b>	<b>0</b>	<b>4</b>
<b>Current assets</b>					
Inventory	65,705,316	25,728,274	5,248,207	6,272,504	0
Trade and other receivables	192,935	49,652	80,983	5,376	0
Short-term receivables from related parties	653,137	192,912	0	0	0
Other short-term assets	271,849	10,698,780	498,121	0	0
Income tax receivable	27,594	4,412	1,225	25,179	0
Other tax receivables	813,136	2,466,421	452,455	50,697	0
Loan receivables	342,963	0	0	0	0
Restricted cash	1,259,556	1,719,373	83,361	0	0
Other financial assets	277,833	0	0	0	0
Cash and cash equivalents	47,992,442	2,642,697	140,616	294,437	0
<b>Total current assets</b>	<b>117,536,761</b>	<b>43,502,521</b>	<b>6,504,968</b>	<b>6,648,193</b>	
<b>Total assets</b>	<b>124,166,690</b>	<b>44,187,946</b>	<b>6,567,818</b>	<b>6,648,193</b>	<b>4</b>
<b>Fair value difference on inventories*</b>	13,647,348			-	
<b>Adjusted total assets</b>	<b>137,814,038</b>	<b>44,187,946</b>	<b>6,567,818</b>	<b>6,648,193</b>	<b>4</b>

\* CODM assesses the performance of the entities based on local GAAP statutory financial statements. In Hungary, the funds are revalue inventories to fair value at the end of each period in the statutory financial statements. This figure represent the revaluation difference calculated based on local GAAP for these entities as of 31 December 2019. In line with IFRS, this fair valuation is eliminated from the consolidated financial statements.

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**Liabilities as of 31.12.2019**

<i>In thousands of Hungarian Forints (THUF)</i>	<b>Hungary</b>	<b>Poland</b>	<b>Romania</b>	<b>Spain</b>	<b>Other</b>
<b>Non-current liabilities</b>					
Loans and borrowings	11,920,925	2,187,101	0	0	0
Bonds	44,421,137	0	0	0	0
Long-term liabilities to related parties	0	0	0	0	0
Deferred tax liabilities	0	4,875	0	0	0
Customer advances	27,410,213	1,019,321	675,464	0	0
Lease liabilities	288,875	329,049	14,714	0	0
Amount withheld for guarantees	2,307,562	86,092	0	0	0
Other long-term liabilities	51,451	37,747	107,323	0	0
<b>Total non-current liabilities</b>	<b>86,400,163</b>	<b>3,664,185</b>	<b>797,501</b>	<b>0</b>	<b>0</b>
<b>Current liabilities</b>					
Trade and other payables	7,334,470	2,192,236	610,147	104,019	74,053
Bonds	68,892	0	0	0	0
Short-term liabilities to related parties	331,156	155,509	0	0	56,030
Loans and borrowings	11,504,562	0	0	2,326	0
Customer advances	10,879,330	825,778	0	0	0
Other tax liabilities	2,360,883	131,865	8,131	56	-
Income tax liabilities	46,724	43,062	0	0	7,565
Other provision	92,215	0	9,936	0	0
Lease liability	142,009	2,177,547	9,163	0	0
<b>Total current liabilities</b>	<b>32,760,241</b>	<b>5,525,997</b>	<b>637,377</b>	<b>106,401</b>	<b>137,648</b>
<b>Total liabilities</b>	<b>119,160,404</b>	<b>9,190,182</b>	<b>1,434,878</b>	<b>106,401</b>	<b>137,648</b>

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**Assets as 31.12.2018**

<i>In thousands of Hungarian Forints (THUF)</i>	<b>Hungary</b>	<b>Poland</b>	<b>Romania</b>	<b>Other</b>
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	179,384	4,202	4,270	0
Investment properties	0	0	0	0
Property, plant and equipment	533,982	108,815	23,987	0
Long-term receivables from third parties	8,426	0	0	0
Long-term receivables from related parties	0	1,150,746	0	0
Investments accounted for using equity method	729,800	0	0	0
Deferred tax assets	49,986	74,953	0	0
Other long-term financial assets	8,891,957	1,976,351	1,632	0
Other long-term assets	819,992	0	0	0
<b>Total non-current assets</b>	<b>11,213,527</b>	<b>3,315,067</b>	<b>29,889</b>	<b>0</b>
<b>Current assets</b>				
Inventory	44,585,333	12,144,751	1,983,222	0
Trade and other receivables	152,514	38,360	647	0
Short-term receivables from related parties	4,354,457	5,348	56	0
Other short-term assets	245,865	21,337	33,985	12
Income tax receivable	25,785	4,255	0	0
Other tax receivables	2,533,615	461,553	62,679	0
Loan receivables	0	0	0	0
Other financial assets	161,291	0	78,990	29,553
Cash and cash equivalents	10,807,184	549,590	14,161	918,615
<b>Total current assets</b>	<b>62,886,044</b>	<b>13,225,194</b>	<b>2,173,740</b>	<b>948,180</b>
<b>Total assets</b>	<b>74,079,571</b>	<b>16,540,261</b>	<b>2,203,629</b>	<b>948,180</b>
<b>Fair value difference on inventories*</b>	12,104,048			
<b>Adjusted total assets</b>	<b>86,183,619</b>	<b>16,540,261</b>	<b>2,203,629</b>	<b>948,180</b>

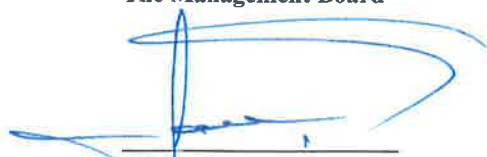
\* CODM assesses the performance of the entities based on local GAAP statutory financial statements. In Hungary, the funds are revalue inventories to fair value at the end of each period in the statutory financial statements. This figure represent the revaluation difference calculated based on local GAAP for these entities as of 31 December 2018. In line with IFRS, this fair valuation is eliminated from the consolidated financial statements.

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Liabilities as of 31.12.2018

<i>In thousands of Hungarian Forints (THUF)</i>	<b>Hungary</b>	<b>Poland</b>	<b>Romania</b>	<b>Other</b>
<b>Non0current liabilities</b>				
Loans and borrowings	3,098,266	1,731,343	0	0
Bonds	0	0	0	0
Long-term liabilities to related parties	0	4,429,058	0	0
Deferred tax liabilities	33,712	10,838	0	0
Customer advances	7,635,951	0	0	0
Other long-term liabilities	1,774,106	96,232	0	0
<b>Total non0current liabilities</b>	<b>12,542,035</b>	<b>6,267,471</b>	<b>0</b>	<b>0</b>
<b>Current liabilities</b>				
Trade and other payables	3,590,736	796,650	49,423	233,935
Bonds	0	0	0	0
Short-term liabilities to related parties	2,984,491	2,822	2,547	134,793
Loans and borrowings	5,239,689	0	0	0
Customer advances	24,560,257	3,639,145	15,546	0
Other tax liabilities	665,394	32,818	8,975	0
Income tax liabilities	20,438	6,827	1,063	16,941
<b>Total current liabilities</b>	<b>37,061,005</b>	<b>4,391,169</b>	<b>77,554</b>	<b>385,669</b>
<b>Total liabilities</b>	<b>49,603,040</b>	<b>10,658,640</b>	<b>77,554</b>	<b>385,669</b>

The Management Board

  
Tibor Földi  
Chief Executive Officer

  
Tomasz Łapiński  
Chief Financial Officer

  
Pál Darida

Budapest, 11 May 2020